GS-insight
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GILLAMOR STEPHENS
FINDING THE FUTURE

Issue 33

In this issue

Funding, Innovation and Internationalisation continue to create Leadership opportunities

GS-insight explores some of the latest trends in the technology industry and much more…

Welcome to the 33rd edition of GS-insight, the magazine published by international technology sector Executive Search firm Gillamor Stephens. We formed our company in 1998 in the heady days of the dotcom era and nearly 20 years on our passion for recruiting leadership talent across such a dynamic sector remains as high as ever. We are fortunate to work with companies at all stages of development. Our clients range from university "spin-outs" looking to commercialise "bleeding edge" technology, through privately owned and VC/PE funded SMBs seeking the leaders to drive organic and acquisitive growth/internationalisation strategies, as well as larger corporate entities hiring executives to lead large scale business transformation and growth. The current political uncertainty and Brexit worries have not dampened the enthusiasm of the investment community for technology businesses. A pleasing recent development is the rise of specialist funds supporting early stage companies, ensuring that technology entrepreneurs have the necessary capital to fund product development and commercial strategies. The relentless pace of innovation continues, and each year sees the emergence of new themes and opportunities. Unsurprisingly in recent months we have seen an increase in hiring requirements in companies bringing to market new technologies including Internet of Things (IoT), Artificial Intelligence (AI) and Robotic Process Automation (RPA). Other longer established high growth areas such as Cyber Security, SaaS/Cloud applications and Infrastructure Services continue to present significant hiring opportunities. Our focus is on senior level appointments, ranging from Chairman to CEO, COO, CFO, MD, Sales Director and Marketing Director. Two roles that are in particular demand at present are CTOs and Product Management Leaders – both roles relate to understanding customer requirements and driving innovation/product development to capitalise on current opportunities, disrupt legacy industries and create new markets.

In this issue of GS-insight we explore some of these key industry trends. Alex Bentley of Blue Prism, the company that defined the RPA sector provides insight into this disruptive technology and the market opportunity. Three software business leaders share their experiences of scaling US technology companies in EMEA and provide views on current business conditions across the region. Richard Hanscott, CEO of Yell describes how a long established traditional company, Yellow Pages, transformed itself to embrace the digital age. Mike Tobin, Chairman of multiple technology companies champions the idea of better integrating our professional and personal lives, whilst giving his perspective on current trends in the datacentre market. Martin Mackay, President and GM of CA, Asia-Pacific shares with us his experiences of running a business across a vast geographic region with numerous cultural differences and what inspired him to take on the challenge. Finally, Ian Spence, CEO of Megabuyte, the leading technology analysts discusses whether we are at the top of the valuation cycle for technology companies.

I hope you enjoy this issue and I welcome your feedback
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GS-insight can be viewed and downloaded from www.gillamorstephens.com

The Pioneers of Robotic Process Automation (RPA) Software

We discuss disruptive technologies with **Alex Bentley**, Director of Corporate Development at **Blue Prism**

Alex Bentley, Director of Corporate Development, Blue Prism

Tell us about Blue Prism and what makes it unique in the market?

We were formed in 2001 and pioneered the RPA market. At the time no-one even had a name for the technology. Our founders had a vision to extend the reach of enterprise IT to help address the delta between what the business wanted to automate and what IT was able to realistically deliver. We started to develop robotic solutions to eradicate the drudgery from business operations and used client feedback to steer and inform the product roadmap.

Blue Prism coined the term Robotic Process Automation or RPA in 2011 and, since then, it's really taken off and a whole load of new entrants have stepped in. While most of them focus on task-level automation, Blue Prism concentrates on reorganising the work and reallocating all manual activity to the digital workforce so people can focus on the more interesting aspects of their job.

If there's one thing that I can point to about Blue Prism that's different from the rest of the market, it's that we've got really strong client credentials going back a long time. By the time the RPA market began to establish, we'd already been going for 12 years, which gave us a huge head start.

I came in at the start of that hockey-stick growth, and have seen huge market acceleration over the last four years. In 2016, we were the first RPA vendor to IPO, which has helped to propel the business forward.

There is a lot of excitement around RPA and the market potential, with various analysts quoting billion-dollar predictions in the coming years. Just how realistic are they?

Fairly realistic. I've seen a couple of predictions recently, and I think some of them are on the conservative side; we really are seeing exponential growth.

What advice do you have for companies who are looking to implement RPA?

I think there are five things to consider. The first thing is to approach it strategically. It's critical to get your enterprise architects and technologists on board. Organisations that take a tactical approach to architecture and infrastructure will very quickly hit the benefits ceiling. Secondly, you need to build out the organisational capability. Think about how the automation capability should be organised, what roles are required to support it, and how it should be governed. We refer to this as the Robotic Operating Model.

Third, it's important to communicate the value of the RPA across the company. Once your business stakeholders understand how RPA can help them and their departments, they will start to volunteer their own processes for automation, and that's when the momentum starts to build.

Fourth, you need to select the right processes, and that means prioritisation. Start relatively small in terms of process-scope and don't bite off more than you can chew. Pick something that immediately impacts the business and demonstrates real value.

Finally, think about this in context of the over-arching digital strategy. Use RPA to build out the platform that will enable you to digitise your business. Think what other technologies you need to extend the breadth of automation. RPA is a fantastic enabler for AI technologies that have historically been quite difficult to build a positive business case for.

How much time do you invest in educating customers on the benefits of moving away from tactical usage to a more strategic one?

We're still in the education phase for sure, so we do spend time doing that. However, we have an indirect distribution model. We work really closely with all the big consulting firms who carry the message out to their clients. Our partners operate at a strategic level, and their core business is providing transformational consulting. As such, we are very lucky in that our partners are extremely well equipped to provide that level of education and advice. We provide support to both clients and partners that focuses on quality assurance and best practice of the core RPA solution.

What future developments and advancements can we expect in terms of RPA capabilities?

For us it's about three things, the first being interoperability. We see Blue Prism as being the operating platform for the digital enterprise. We can interact seamlessly with existing legacy applications, and we can provide the same level of interoperability with digital technologies across the whole artificial intelligence ecosystem.

The second one focuses on enhancing what we've got and, by that, I mean the ability to understand and navigate the environment that we're operating in. For example, the robot should know how to respond to and deal with a problem that perhaps it wasn't expecting.

Thirdly, we invest heavily in R&D. We've recruited expert technologists from a whole range of different specialisms. We're constantly reviewing new trends and how can we can apply them. And, of course, we're also listening to our customers.

Do you think the convergence of RPA and other intelligent solutions like AI is on the horizon?

History shows that there are one or two major paradigms every decade and there is evidence that suggests the next decade will be characterised by an explosion of artificial intelligence. AI technologies tend to be applied in addressing very specific problems, and the technology itself evolves very quickly. That makes it very expensive to integrate – and hence difficult. RPA changes all that. It means you can very quickly integrate AI tools and applications. And different AI technologies can be switched out with far greater ease than ever before. One way to think about it, is that RPA provides the 'arms and legs' for cognitive AI technologies that can think and make decisions, but on their own can't act.

> ***"History shows that there are one or two major paradigms every decade and there is evidence that suggests the next decade will be characterised by an explosion of artificial intelligence"***

How do you think 'Brexit' will impact the RPA market?

Well, undoubtedly it will have an effect. The reality is that things are going to have to change more quickly particularly in the public sector. There will be further pressure to implement new regulation, and innovation presents you with an opportunity to tackle these challenges without a deterioration in service levels or an increase in costs. I believe Brexit is going to be a market accelerator. Organisations strive to remain competitive, and by freeing up your resources, you can focus on customer-centric activities, and growing the business.

Do you see the potential removal of the 'Freedom of Movement of People Act' affecting the availability of digital talent in the UK?

I think the problem is more global than that. The whole AI market is developing very, very quickly and demand will simply outstrip supply. Blue Prism is investing on the supply side, and we already have a mature certification and accreditation programme. We work with a range of partners who are authorised and approved by us to deliver training, and we use the same global exam standard as Microsoft. We are also working closely with further education institutions and clients to pull more talent into the market.

Where do you see future talent coming from?

I think that the right type of person for RPA is somebody who has an appreciation of technology and a logical approach to problem-solving. The best Blue Prism developers are those people that get the technology but also have a good business understanding. Maybe they come from a Six Sigma or business operations background but, essentially, they have an aptitude for technology.

One of the key benefits of RPA is the reduction of the human cost. Are we facing an ethical dilemma here and do we, as a society, need to develop any rules to manage this?

I'm not sure we need to develop specific rules. The work that robots are doing is typically not the type of thing that people want to do. If you communicate the idea properly to people and get them to see the positive impact RPA can have on the work that they do, then they become really engaged in and motivated by it.

Of course, there will be some displacement, but in most cases, companies find new, higher-value work for people instead. And, that's without factoring in all the new jobs that will be generated by technology that we haven't even contemplated yet.

What's on the horizon for Blue Prism?

Right now, our vision is to remain the global market leader in this space. We're single-mindedly focused on growth, market share, and expanding across the different industry verticals. We will continue to evolve and innovate, and lead the market in terms of our whole product offering.

Scaling US technology companies in Europe

GSinsight spoke with three General Managers, **Matt Piercey** (Zscaler), **Martin Moran** (Insidesales) and **Ian Tickle** (Domo) about their experience of scaling US technology companies in Europe, the challenges this presents and their tips for overcoming them.


Matt Piercey (Zscaler)


Martin Moran (Insidesales)


Ian Tickle (Domo)

What is your experience of growing businesses in Europe?

Matt Piercy: My first experience of working with high growth technology businesses was at Citrix in 1999. When I joined there were around thirty people in Europe, which grew to almost a thousand during the five years I was there. I was primarily involved in building out the channel and we built a very successful two-tier channel, distribution and VARs.

I subsequently joined VMware as the 6th employee in Europe and over the next 10 years we built the European business to 3,500 employees. In my final role at VMware, I ran Northern Europe which on its own was over a thousand people, with revenues approaching $1bn.

Today, I'm General Manager EMEA at Zscaler, an American cloud security vendor. We're around one hundred people in EMEA and we expect to double that over the next twelve months. We've focused on building a strong European business from day 1 and as a result, we regularly come close to matching the North American revenues. The percentage of revenue that comes out of EMEA is higher than any other company I've ever seen before.

Martin Moran: I spent my formative years at Oracle in the 1990s when the business was growing fast in Europe. In the early 2000s I left Oracle with a group of colleagues to establish Salesforce in Europe. At first it was just the three of us in an office, with three laptops and that was it. During my ten years there however, we grew the company from nothing to a $300m run rate.

I now find myself in the start-up environment once again with Insidesales. I joined as the first person in Europe and we've so far grown to a headcount of around forty. We've got a data centre and telephony centre in Ireland and are due to open a data centre in Germany, whilst our first full year in operation saw us grow by just under three hundred percent.

Ian Tickle: My first significant scale-up experience in Europe was at Omniture where I was part of the team that grew the European business to $50m+ and a headcount of around one hundred people. During that time we made and integrated several acquisitions before being acquired ourselves by Adobe in 2010.

I next joined RightNow with a brief to return the European business to growth and we took it from less than $10m to around $25m within a very short period of time, before being acquired by Oracle. Here I was responsible for the acquisition of cloud businesses whilst managing Oracle's transformation from an On Premise to SaaS business model in EMEA. This included integrating many of their recent SaaS acquisitions.

Now I'm Senior VP and General Manager EMEA at Domo. I joined when we were three people and it was a true start-up. For the first two months, I was negotiating phone contracts with Vodafone, sorting out our local credit rating and setting up the general administration of the EMEA subsidiary, all whilst prospecting and selling. Now we're into a structured scale-up phase with clear investment trigger points in order to take advantage of the great progress being made throughout EMEA.

What is the current state of the European market?

Europe has experienced its fair share of political uncertainty in recent times but technology sector continues to go from strength-to-strength. For many technology businesses, the effects of Brexit and close fought elections across the continent have thankfully been muted.

More salient is the imminent introduction of new EU-wide General Data Protection Regulation (GDPR). The legislation includes the requirement for organisations to make clearer their terms and conditions by which data subjects consent to giving up personal information. It also provides subjects with the right to access information as to whether their data is being processed, where and for what purpose, as well as the right to be forgotten. Organisations that fail to comply with the new regulations by the time they come into effect face fines of up to 4% of their annual global turnover.

Despite these changes, Matt, Martin and Ian remain positive about the conditions for business in Europe.

Matt Piercy: Generally, the conditions in Europe for doing business right now are surprisingly good. The economy is in good shape and organisations generally are investing for growth. Though Brexit has caused political shockwaves, it hasn't presented any problems for us at a business level. It has had an impact on businesses that have had to make decisions about where they have their employees and their infrastructure but that hasn't impacted us because we're a service provider to those companies. If a client said to us tomorrow, we're going to leave the UK and move to Austria on account of Brexit, it wouldn't be a problem because we can simply relocate their users over to our datacentre in Austria and carry on providing the same service.

The big thing on the horizon is GDPR which will need to adapt as it becomes mandatory. Nonetheless, we have a feeling as to which way it's going to go and we need to be ready for it. GDPR is one of the things taking up a lot of our time at the moment, as we go into organisations to assure them that we understand the new regulations and will ensure they can adhere to it.

Martin Moran: I fear GDPR may go too far and could act to ultimately slow expansion and negatively affect European economies. Ironically, I think GDPR is a case of closing the barn door after the horse has bolted. As individuals, most of us already fully consent to give away our data, we do it with everyday things like Google, Facebook or Netflix. One positive effect I'm hoping GDPR will have however, is to homogenise the diverse legislations of Europe that hinder many early stage companies when it comes to effectively doing business across borders. If it doesn't achieve that then I think it has failed.

Despite GDPR, I believe there's a new wave of technology entrepreneurship in Europe. This is partly evidenced by the rise of European VCs but more importantly, the extent to which US VCs now invest right across the continent. Whereas, they used to land in Britain or Ireland and then sweep East, they now see greater opportunity all over Europe. This I believe is due to the growing liberalisation in European countries who have become more open to Foreign Direct Investment (FDI) - money coming in from the US and the ways in which that money can stimulate the economy.

What are the challenges posed by the European market and what advice do you offer to US CEOs looking to grow their business in Europe?

The European market presents numerous challenges to businesses looking to scale across the continent, due to the different legislations, languages and cultures found in each territory. Ian, Matt and Martin discussed these issues and the questions they raise as to the best business model to adopt.

Ian Tickle: If you want to be successful in Europe you have to go all in. By that I don't simply mean in terms of headcount, resources or investment, but in terms of ethos. You have to ensure that the European organisation obtains a prominent voice at HQ in the US. Europe is a phenomenal market space which can offer 30% to 40% revenue contribution and has the potential to grow really quickly. Hence, if you're going to invest in Europe you have to give them a seat at the table, a voice for strategy and a vote in decision making. If you've got the right people in place they won't care what time the call is, or how many times they have to get on an aeroplane, so long as they get to have their say.

A big question when scaling in Europe is what model are you going to build in terms of sales? The burden of having headcount across Europe often puts companies off trying different regions so a partner model becomes more palatable. From our perspective at Domo, it made sense as an American company to go to English speaking territories first as that market alone is huge. Recently however, we've experienced a lot of interest from France so now we're looking at how to support that market. There's a certain amount we can achieve in France working from the UK but ultimately it's a partner approach for us to start with. Once

> ***"A big question when scaling in Europe is what model are you going to build in terms of sales?"***

the partners have experienced strong, substainable traction, we can then look to put dedicated supporting headcount in place. I believe a partner play to expand your distribution capabilities / test new markets is a fundamental requirement.

With the adoption of internet technologies and video conferencing, we are starting to find that customers don't necessarily need face-to-face contact as they used to and for sales reps, there's more productivity in being on the phone, rather than travelling all the time. However, this has also brought about new complexities around building the right culture and environment to work in. People can work increasingly from home now and we trust them to do so but as a start-up, it is then very difficult to build a culture where people are truly collaborative and where they all learn together. You have to decide very early on, whether you are going to invest in office space (and what type) because once you start with a culture where people don't need to be in the office and collaborating, it is very hard to reverse.

Matt Piercy: Persuading an American organisation to appreciate the differences over here, in terms of legislation and culture is sometimes a challenge. We have a fantastic economy in Europe which can deliver results almost on a par with the US. But in order to achieve that, some things have to be done differently than in North America. Namely, I have to hire people in every major country. The success I can have by flying someone based in London around Europe is not comparable to basing someone in New York and flying them around the states, due to the language barrier. You are never going to unlock the potential of Europe unless you go into each territory, particularly when selling a cloud service where the client is trusting you to look after critical data and deliver a service on behalf of their employees because then you are into the realms of legal responsibility, workers councils and employee rights which varies across borders. At Zscaler, we went into Germany, France and the UK from day one and what that's given us is a business in Europe that almost matches what we do in North America.

Martin Moran: CEOs mustn't assume that the European market is all the same because it isn't. However, it's important not to over fixate on cultural variations. I think Europeans like to portray to the US that we're all completely different, whilst they might look at us and think "you're all the same". The reality is something in between. Generally consumer behaviour and the ways in which people acquire are relatively patterned across borders but if you land in the UK and are successful, don't assume that means you've cracked Europe, because some things such as language and legislation are not homogenous. To overcome these sorts of challenges, CEOs must use their network, talk to people they know, who have done it and know what it's like.

One thing I've seen go catastrophically wrong which I think any CEO looking to scale in Europe should be mindful of is when a business tries to land all across Europe. Don't think you're covered because you have a salesperson in every country. That will almost certainly fail because you won't be able to build any cohesion and some individuals will almost certainly become detached from the organisation, its culture and processes. My view is you should find a single location to start from and then test continually into different markets.

What are the challenges regarding talent when expanding into Europe?

Martin Moran: The European talent market is certainly becoming more competitive. It's getting tougher and tougher to find really good people. Take sales for example, I'm not seeing an explosion of growth in the number of people coming into the profession. The barrier to entry at the lower levels is almost non-existent but it's much harder to find the best people at the top of the profession and it's very expensive.

Ian Tickle: There's definitely been a change over the last five years in terms of availability of talent and the associated attitude. As one example, the expectations of promotions and pay rises have increased dramatically as well as general expectations so you can't tell a twenty-four year old who's just made their target for the last three quarters that there is no progression option. You now have to create micro-promotions and find alternate ways to keep the momentum going as ultimately this isn't going to change. Success can only be achieved if you build a culture that motivates people in multiple ways. Part of this is making sure they enjoy work and that there are other (non-financial) incentives to be in the office. The other way to motivate people is to present the bigger picture, trying to help people understand where they want to get and how to get there. I see a lot of CVs of people who've moved from job to job every eighteen months and that is fine in some cases. The challenge however is that although this might help them get a bigger salary with each new role, the impact is only realised when someone then wants to make a more senior grade, such as General Manager. That lack of ability to show commitment is just not going to fly.

Matt Piercy: Finding and securing the right talent as one of thousands of small businesses takes time. I found that my personal involvement was important in the early days. People are far more likely to respond if you personally tailor an approach to them and a lot of people we have are with the business because I personally targeted them and went after them with a never say die attitude.

In EMEA we are currently having to recruit someone every two and a half working days so we've really had to scale up our ability to hire. We have a dedicated recruitment team, making calls, building pipelines and coordinating calendars. It is one of our most critical teams for the next three to four years as we continue to grow.

Unfortunately, the challenge isn't simply hiring, it's firing as well. You have to be good at both because the people you have from day one, when no one has ever heard of your business are often very different to the people you need when you've got one hundred and fifty customers or more. Some people can make that journey successfully but for others it proves more difficult so you have to be good at hiring and firing.

The challenge to find and retain talent is just one of the many challenges posed by the European market. Political uncertainty stirred by events such as Brexit and the introduction of GDPR, as well as regional variation and the difficult decision as to how best to go to market all prove daunting factors for US businesses to overcome when looking to realise their international aspirations. However, as the experiences of Matt, Martin and Ian attests, these challenges pale in comparison to the potential the continent still has to offer. If CEOs are willing to truly invest in Europe from an early stage, and treat it on a par with North America, then the European market can be a powerhouse for any technology business.

From the Yellow Pages to Digital Gurus: How Yell Champions Local Business in the Internet Age

The rise of online technologies has brought radical change for countless businesses, with few representing this seismic shift better than Yell. GSinsight spoke to their CEO, Richard Hanscott about the company's digital transformation and how they have remained true to their original values of helping small, local businesses compete in an ever more challenging market.


Richard Hanscott, CEO of Yell

What is the history of Yell and how has the company changed since you joined the business?

Yell has an amazing history. The business was founded in 1966 when the first Yellow Pages were published in Brighton and there's a tremendous heritage and culture based on over fifty years of history. When I first joined six years ago however, the business was in a very challenging position. Like so many organisations that had traditionally relied on print, the company faced a serious challenge due to the rise of the internet and the way in which it changed consumer behaviours. Yell had in fact anticipated the explosion in online technology; Yell.com which now forms the core of our business was launched in 1996, a year before Google. The fact the business still faced such adversity goes to show the extent of the challenge in adapting to such rapid change.

When I joined, we were a publicly listed company but the share price was close to zero and the company had amassed substantial debts. We had a presence in six countries, the UK, Spain, North America and three countries in South America as well. A new global leadership team had recently been put in place and they were reshaping the business around a global model. After a period building this global model, it became apparent that this was not the best course for a business that focuses on specific locales and targets local SMEs within them. The leadership team changed again in 2014, coinciding with our becoming a privately held company and we moved back to a locally run business model. We still have a global holding company who have sold the South American businesses and recently sold Spain as well. So now we are focused on just the UK and North America and we're really focused on what's successful at a local level.

How has the business changed in terms of its product offering?

Yell has always worked to help local business be successful and enable consumers to find local service providers that meet their needs. The company sits at the intersection of those needs, we are the champions of local business and the Yellow Pages, you could argue, marks the invention of search.

The business was doing extremely well up until 1997 when Google reinvented the search industry. Ultimately however, the ascendancy of internet technologies has brought clear benefits. The internet offers businesses greater means to reach wider audiences and be successful, whilst consumers have more choice than ever before when it comes to finding service providers. Our role now is helping small businesses find a way to be successful online and allowing consumers to find service providers that best suit their needs on the internet. Yell.com is something we continually invest in. It provides a dedicated means of finding locally rated and reviewed services. Although a lot of people might initially look to Google or other search engines for such information, they don't offer the same depth of content that we have regarding specific local services.

On the business side, we help clients discern the best ways to spend their marketing budget in the digital world. Firstly, we help them build their presence across online platforms, such as Facebook, Google and of course Yell.com. We will build and host a bespoke website with videos and if required an online store. Next, we sell advertising services. We sell promotion advertising on Yell.com, pay per click advertising on Google, Display adverts across a range of media platforms and we've recently launched Facebook advertising. Social media is very interesting for small businesses as you can easily target highly specific demographics and then put an advert into their news feeds. We've seen a tremendous uptake of our Facebook advertising product. Lastly, we help businesses manage their online reputation. Online ratings and reviews have become increasingly important to consumers when making decisions about products and services and this is something small businesses often find really worrying. They're fine with the good reviews but as soon as they get a bad one they say, "I don't like this anymore" and will often try to simply stop having reviews online altogether. We believe this is the wrong reaction. There are some very interesting statistics suggesting that for consumers, a well handled negative review can have a greater impact than a five star rating. This means businesses have to be proactive and consistently monitor their reviews, most importantly the negative ones. The digital marketplace has many challenges, but also huge opportunities. Everyday there are more platforms, more opportunities and enabling small businesses to take full advantage of those opportunities is where Yell comes in; it's why I'm so positive about our business.

> ***"Online ratings and reviews have become increasingly important to consumers when making decisions ... and this is something small businesses often find really worrying"***

How has the culture of the business changed in the wake of new technologies?

The old Yellow Pages business had an extraordinary culture, built around the renewal of advertising in the book. Historically we had one hundred and four books and the sales force used to travel to each location, selling advertising space in the books. Once it went to print, your advert would be live for a whole year and you wouldn't see them again until the next year when they'd return to sign you up again. Digital however, is an 'always on' environment and we've now moved to a business model wholly different to the old roving sales force. Our sales teams are now locked in a territory and they give customers the service they want, all year round.

Inherent in this is a need for people with very different skill sets. We had to spend a lot of time recruiting people who truly enjoy and have the capability to succeed in digital advertising and we've focused on training them, ensuring they're all Google certified for example. It's not just the sales teams that have changed either. We now employ graphic artists and copywriters to build the website and our online campaigns and like many businesses, we've implemented a CRM system to enable much more of an end to end process across the organisation as it's critical that the different teams can work well together.

How has the competitive landscape changed and what are the future opportunities?

Today, we have a broad range of competitors. There are a number of DIY platforms for websites and Facebook or Google for advertising and social media, all of whom encourage small businesses to do things themselves. However, though businesses can and often do try to run their own websites and social media, they usually have better things to be doing, like building the products and services their customers need.

There are also numerous small, independent operators that offer local marketing services, whilst we also compete with larger, well-established marketing agencies. Yell sits in the middle between these two, we have the capabilities of a larger agency, delivering very sophisticated platforms and a depth of people, but we can also scale to hundreds of thousands of customers in local markets which is what makes us unique. To help small businesses further, we recently announced our pledge 'to help a million businesses be online by 2020'. Part of this includes a free Essentials package which offers businesses in the UK a free website, domain name and email address plus some key advice and support on how to manage their business and reputation and reviews online.

When I visit small businesses, I'm often asked "what should I do? How do I become more successful?" It feels as though there are not enough places for small businesses to go for that kind of help and I believe it reflects a gap in the market. We all want the local high street to reflect a greater balance of local and global businesses so that it becomes a fun and thriving place to spend time. I think as a country, we need to do more to enable small, local businesses to succeed and Yell is dedicated to achieving that end.

Live. Love. Work. Prosper. In Conversation with Michael Tobin

Michael Tobin is no stranger to the challenges of balancing multiple responsibilities. A serial Chairman, the former CEO of Telecity currently sits on the board of 14 companies. His new book, *Live. Love. Work. Prosper* explores the topic, ever more pertinent in our connected world, of managing a successful professional and personal life.

GSinsight spoke with him about the ideas behind this latest book, his view on the present state of the datacentre market and what the future holds

What motivated you to write Live. Love. Work. Prosper and what themes does the book explore?

I know from my own experience and from speaking with countless others, how hard it can be to simultaneously achieve a successful work and home life. It's clear to me that if you try to strike a balance between the two and want to excel in one, then you're going to fail at the other. I believe we talk too much today about balance when instead we should be talking about how best to integrate our professional and personal lives. Take a sporting analogy; imagine you like long-distance running and you like weightlifting and you aspire to winning an Olympic gold medal. The required disciplines for each sport are conflicting. You can't bulk up and then go on a long-distance run, hence you can't expect to excel in either if you're trying to do both. If, however, you want to combine those disparate disciplines and win a medal then you could consider the Decathlon. You won't be the best weightlifter in the world, nor the best long-distance runner but you can be the best combined, and you can win that gold medal. It's a matter of finding the application which exploits the combination. You don't have to totally compromise on one or balance them both, instead you integrate them. Applying this concept of integration to the work/life question is the thesis of *Live. Love. Work. Prosper*.

In the book I cite an article which found 76% of middle managers interviewed admitted to lying to their partners about working at home. It's a sad but unsurprising statistic. At that stage in your career you're ambitious and no doubt surrounded by similarly aspirational peers. If your boss asks you to work late when you've already committed to family responsibilities, then naturally you try to balance both commitments. You go home early like you agreed but proceed to hide in the bathroom to send those last few emails whilst your partner waits for you to take charge of the children's bath night, as you promised, so they can go out as arranged. Your commitment to your work may help endear yourself to your colleagues and employers but it's to the detriment of your personal life.

Imagine instead you go home and you say to your partner, "I don't believe it, look at this request, it's outrageous, it's inconsiderate but I really want that promotion, we really need that promotion!" They'll likely sympathise and say, "I'll stay another half hour before I go out, just get it done". Now suddenly it's you both against the world. By being honest with your partner you've managed to do your work in a way that doesn't alienate you in your home life. Stress comes when you're trying to please two sets of stakeholders and as a result, you simply fail to please both. Again, it's about finding a way to integrate the two disparate commitments, rather than trying to balance them constantly.

Do you think the traditional 9–5 working day is an outmoded concept?

I think it's been outmoded for some time now. Today, the largest part of the UK economy is the services industry which caters to global customers, so the ability to implement a rigid nine till five culture is instantly impaired. We need to be more focused on results than hours. If you need to get something done today then you do it today, not by five o'clock.

Most companies don't allow their employees to manage their time like adults. There are still companies that won't allow you to use Facebook in the office, which is ridiculous. Staff should be allowed to play games at work if that's what de-stresses them. They will be far more productive if they feel they can take the five minutes needed to clear their mind. We should be more receptive to flexible working hours and focus more on results.

You lived an amazing story at Telecity and remain heavily involved in the datacentre world. What's your take on the market?

Over the past decade there have been two major recessions and though business is good when the economy is healthy, when it slips, people look to save costs associated with bricks and mortar by moving to the internet. It's cheaper to run a business online so even in tough times, the datacentre market remains highly resilient. Operating in a space that can exploit the down cycles, as well as the upcycles, is a great place to be.

There are other factors to consider that continue to drive the market. Video content now constitutes 60% of all internet traffic, for example, and we continue to watch more and more online. On top of this, we're only experiencing the beginning of the Internet of Things. I'm on the board of Hurley Palmer Flatt, which is a design company working to create digital twins of buildings rendered by hundreds of sensors. If a condenser goes off in an office block, the software can detect the issue in real time. The next decade will see a huge increase in the deployment of IoT applications, with tens of billions of sensors becoming attached to the internet.

All of this takes place online, which means datacentres are doing more than ever. We're now seeing the major players, like AWS and Azure, building giant datacentres to accommodate the surge in data brought on by new technologies like IoT, but, contradictory to this trend, people are also deploying more localised data centres due to issues around data sovereignty and latency. Similarly, the ascendancy of autonomous vehicles means cars are increasingly becoming like mini datacentres, with at least twenty processors inside a single vehicle. Connected cars aren't going to be able to speak to each other quick enough if they have to transmit their data thousands of miles to a central hub, only to have to wait for it to be sent back out again. Instead, they're going to need to use lots of localised datacentres to communicate effectively. The big datacentres are only for archiving data that can be analysed over a long period of time, ultimately the big shift is towards thousands of micro-datacentres and the edge of the internet.

We still have a lot to do however, in order to fully enable these incredible new technologies. The big problem we face is not the availability of data but how we curate it, which means establishing what we can do with the data and then what bits of it we need to hone in on to achieve that end. For example, insurance companies are already starting to use GPS in cars to ascertain how well you drive so they can better judge what deal to give you on your insurance. Now imagine if they could also harness data from CCTV or from weather sensors on top of street lamps. If there was an accident, the insurance company could review footage of your driving for the ten minutes before the incident, they could see what the weather was like and judge if it had any bearing on what happened, then they would be able to package up an entire claim for you, before you've even claimed, job done. That would be a truly horizontal application but we're still stuck in narrow verticals because we think too much about data ownership rather than the value of data. There are already some really great companies emerging in the curation space, such as Concirrus who are based in London, but we've got a long way to go until we start to fully realise the value of all the data around us.

Society is not comfortable at present with sharing data. The government, for example, talks a lot about smart cities but they're the most important holder of data, and to achieve effective smart lighting, parking etc, they need to be able to give away a tonne of data and we're not yet comfortable with that. Back in the early days of the internet when you got something for free online all you had to do was enter your details. Everyone would fill in name: Mickey Mouse, date of birth: yesterday, and then they'd wonder why they'd be sent packets of Pampers in the post as free advertising. We need to overcome our fear of the internet if we're going to fully realise its potential and to do that, we need to give it value of information.

Recent years have witnessed the seemingly irrepressible rise of AWS, Azure and Google Cloud, to what extent is there still opportunity for smaller businesses to make their mark?

There's still massive opportunity for challengers in the cloud and datacentre market. People perceive AWS, Azure, etc. as cheaper, but this is only the case if you switch it off as quickly as you switch it on. If you're a big corporation like Nike for example, then you'll experience huge spikes in data for sales and marketing at the time of major sporting events and that's when they will put their data on the public Cloud, because there's no point buying computers with the sufficient capacity when they'll only need it for a short space of time. Companies frequently do away with their IT departments and migrate to the public cloud only to discover it's terribly expensive in the long run.

Hence there's a need for businesses that can automate the process of switching between different servers, as well as to orchestrate which servers to use at which times. Not everything works best on AWS. Windows and Office 365 will go better on Azure, whilst Gmail will run best on a Google stack. Automating the choice as to which Cloud different applications run on, on a dynamic basis, is an important phase that enterprise will soon start to experience widely.

The other development on the horizon is the emergence of application automation. Consider you want a programme whereby you type in a certain number and it tells you everything that is related to a customer account. At the moment, you have to go to your IT department and ask them to build this, but with application automation you can do it automatically, in seconds.

I was until recently on the board of a company called Datapipe, before it was acquired by Rackspace, which was a leader when it came to driving these developments. Another of my portfolio companies, Pulsant, very much aspires to the same status. The next decade will see companies like this helping people migrate to hybrid cloud, to take full advantage of all the different offerings.

Industry goes in cycles. Back in the days of the mainframe we had centralised computing. Then, we had distributed computing when the personal computer came along. Now, we're going back to the Cloud, which is essentially a return to centralised computing. There is always a cycle between insource or outsource, centralised or decentralised, and it will continue to present opportunities to smaller, innovative businesses.

Views from Asia Pacific & Japan

Having worked both for PE backed enterprises and leading corporates across the technology sector, **Martin Mackay** recently opted for a new kind of challenge, moving to Singapore to take up the role of President and General Manager for CA Technologies in Asia Pacific and Japan (APJ). He spoke to **GS-insight** about his experiences in the role so far.

Martin Mackay, President and General Manager, CA Technologies, Asia Pacific and Japan

Why did you move to CA and to Singapore?

My motivation for leaving Europe was the realisation as to the kind of challenge I wanted to take up next and that CA offered me. To date, I've had a wide ranging career which has seen me working for large US multinationals such as PeopleSoft and Verisign, as well as running smaller PE backed companies. The last three of these were turnarounds which can be really exhilarating because you can make a real difference. In the years I ran Calyx Managed Services, Neverfail and then Experior, we definitely changed a lot of things about those businesses for the good. At the same time however, we never had the resources to fulfil the full extent of our ambition. Having done my last turnaround and having been approached to take on a couple more, I asked myself, "What do I want to do next? What do I really enjoy?". I realised I most enjoy working for large multinationals on the international stage, delivering relevant solutions.

At this point I was already in touch with a number of people, concerning potential options, including Mike Gregoire, the CEO of CA Technologies, whom I had worked with at PeopleSoft. He put me in touch with Adam Elster, President of Global Field Operations at CA. We got on well and talked about options. Adam told me he believed the best fit for me would be running the APJ business and asked if I'd consider moving to Singapore. I replied, "In a heartbeat." My children are all teenagers now and my wife is a serial expat. This all helped to make the decision a straightforward one. The whole process from first talking to Adam, to arriving in Singapore took about two and a half months.

How did you find the transition of moving to Singapore?

Singapore must surely be the easiest place to be an ex-pat. It's a thriving and dynamic city, representing a fusion of East and West, with a diverse range of cultures, though English is the lingua franca. Everything works incredibly efficiently; public transport is amazing for example, and the weather is incredible. Despite recently being branded as one of the world's most expensive places to live, the fact that we don't need a car or have any children to educate here allows us to live cost effectively. All this, coupled with the fact that CA helped us to find an apartment when we first arrived, rendered the transition of moving to Singapore remarkably simple.

"There's a liberty and trading spirit indigenous to this part of the world which is really enabling and driving digital transformation."

The second part of the transition was making the move to CA which has again proved incredibly easy. There are many things that make CA a great company to work for and our APJ operation a great place to work. One is CA's technology which is genuinely at the forefront in terms of what customers want. Second is the region itself. Even with some of the geopolitical issues, North Korea for example and the restructuring Prime Minister Modi has undertaken in India, the business opportunity is huge. Finally there is the culture at CA. Though we're very much a results oriented business, it's a really open and friendly place to work. My welcome into CA was the best I've had in my twenty-eight years' career. It was phenomenal, enabling me to make the transition from Europe very smoothly.

What does your new remit look like and how do you manage such a large region with numerous cultural differences?

CA currently employs around three thousand people across APJ, whilst I have fourteen direct reports, of various different nationalities. Besides Singapore, we have offices in Japan, China, Hong Kong, Taiwan, South Korea, India, Australia and New Zealand. It's a massive region with huge geographical distances between countries. Additionally, there are cultural differences across the region and I've got to do a lot of work to understand what works best within the different territories. You can't operate in Japan the same way you would in the US or the UK. In certain markets, you need to have more patience, whilst in Singapore things are pretty straightforward. You need to be flexible and able to manage different people in different ways. Good, consistent communication is vital and it's important to be physically present, as well as keeping in touch remotely, which means I need to travel a lot.

Despite the cultural variation across the region, it remains important that we continue to uphold the global values of CA Technologies which is a global brand with global products. This shared set of values represents a great unifying factor and so it's vital that the leadership works to uphold them. One of the best things about the region is that, though people are very demanding as to what they expect from their leaders, they do respond really well to good leadership. If the management team can uphold the global values of the company, whilst communicating frequently across the region, with sensitivity to cultural variation, then employees will respond with great entrepreneurial spirit and creativity. There's an insatiable hunger for success out here which makes it a great region to work in.

What is the business model for CA in the region, is it a blend of direct and channel or is it mainly one or the other?

CA has traditionally been a direct business, but over the last couple of years we've invested massively in the channel and will continue to do so as we look to make it a key part of our route to market. This is generally a trend in technology across APJ. I have some really strong channel leaders and CA has lots of people selling with and through the channel.

Historically, CA has been really strong selling high end enterprise software to the largest enterprise, we're really good at doing Enterprise Licensing Agreements. What we need to do now is substantially increase the velocity going into the channel which will really help to drive growth.

How does the region compare to Europe in terms of digital transformation?

I think the APJ region ranks above the rest of the world in terms of digital transformation. We recently conducted a global research into the convergence of agile and DevOps to support digital transformation and countries like China emerged streets ahead of their Western counterparts. It's almost as if the client server and the internet age 1.0 passed the region by and instead, they've leapt forward to the internet age 2.0. If you take China for example, the apps that are available there on smart phones make what we use in Europe look like legacy technology. The scale alone is unbelievable; something like 60% of the world's smart phone usage is in the region, whilst the market opportunity for new technology such as fintech is huge. A retail bank in the UK might have up to ten million customers, but in India, the largest banks have over one hundred million customers. Even in countries like Japan which are relatively conservative, there is nonetheless, an acceptance of the digital transformation agenda. There's a liberty and trading spirit indigenous to this part of the world which is really enabling and driving digital transformation.

How do the challenges around hiring vary in the region compared with Europe?

The competition for talent here is far greater. CA APJ has strong programs that make it a great place to work, and this helps in our recruitment of top talent. At CA in general, we invest a lot in the employee experience. There's a great emphasis on engagement programs, as well as referral programs, encouraging people to recommend their friends to come and work here. For two years running now, we've been listed as one of the world's most ethical companies by the Ethisphere Institute, which is not an easy feat. All this helps us to build a reputation as a great place to work and to attract the best talent. In the six months I've been based in Singapore, we've already managed to hire some really strong leaders.

All in all the combination of the CA culture, the opportunity in APJ and the personal experience make the decision to move out almost a year ago the best one of my career.

We could be past the top of the cycle already; we just don't know it yet

Ian Spence CEO of Megabuyte shares his views on the current valuations in the technology sector

As the quoted tech sector continues to trade near its all-time high and private equity and M&A deal valuations push on historic peak levels, all seems well in corporate-land. However, if we dig a little deeper, the evidence that the market is near, or possibly even passed its peak, is becoming increasingly clear. Share prices and valuations have been on a relentless upwards track for nearly a decade, driven by a handful of key macro-economic factors, and have all but trebled over that period. However, many of these drivers now seem to be running out of steam, suggesting that the good times may soon be over.

Let's examine first where we are in terms of public company valuations. As Megabuyte subscribers will know, we track closely the valuations of UK listed tech companies, and publish a number of proprietary share price indices. When we look at the performance of these indices, and the valuations thereon over the long run, the extent of the bull run in which we find ourselves becomes clear.

The Megabuyte All-Share Index, which is a weighted index of around 100 London-listed tech stocks, is up nearly 30% from its 12 months low in November 2016. Perhaps more tellingly, the index is up fivefold from its cyclical low at the end of 2008. The story is even more clear when we look at software sector share prices, which are up over 35% in the last year.

The story is replicated when we look at tech sector valuations. Looking at the Megabuyte All-Share average EV/EBITDA, it has risen from just under 11x in November, to nearly 14x today. Again, more significantly when we consider where we are in the longer term cycle, the rise in tech sector valuations since the bottom of the cycle is striking. Average current year EV/EBITDA valuations reached their nadir in November 2008 at just 5.4x but are currently at 13.8x. Once again, the comparison is even more stark when we focus on the software sector, where valuations reached a low of 6x on 2008 and are now at just under 17x. Remember, that's an average; there are a significant number of quoted tech companies trading on current year EV/EBITDA multiples of well over 20x.

Unsurprisingly, this valuation inflation has been carried through to private equity and M&A transactions. The fact that there are fewer data points in private company valuations means that establishing an average is more challenging, but a couple of transactions over the summer struck us as particularly indicative of 'top of the market' stuff. The first and most prominent was the acquisition of Civica by Partners Group. To be clear, Civica is a decent company; it scores 59 on the Megabuyte Scorecard, slightly above average, and has a strong presence in its market. However, the valuation at which the deal was struck, in my opinion, was totally out of kilter with its underlying value. Partners paid an enterprise value for Civica of just over £1bn, representing a trailing valuation of 19x EV/EBITDA. Even with help from acquisitions and a strong year of trading, that valuation must still be high-teens on a current year basis.

Compare this to the last two PE transactions for Civica. Back on 2008, just before the bottom fell out of the market, 3i paid 9.6x trailing EV/EBITDA and, more recently, OMERS Private Equity paid 10.2x, in May 2013. Bear in mind that Civica has done nothing transformational under OMERS' ownership; some in-fill M&A and that's about it.

The other deal that was notable both for its size and valuation was the


Ian Spence CEO of Megabuyte

investment by Singaporean investor Temasek into Francisco Partners-backed Blujay Solutions, formerly Kewill Systems. Here again, this deal was struck at over 19x trailing EV/EBITDA compared to the 7.6x at which the company was taken private in 2012. For further context, we can see that BluJay scores 49 on the Megabuyte Scorecard, well below the peer group average.

As well as the eye-catching valuations of these two deals, the other important aspect they have in common is that both incoming investors – Partners and Temasek – have very limited direct experience of investing in the UK tech sector.

So what is driving this valuation inflation? Well I can pick out four main factors. First, is the underlying economic environment. While ongoing government austerity has meant that it has not felt like a good time for the economy for many people, the reality is that the last five years have seen pretty decent macro-economic conditions. For many tech companies, these solid underlying conditions have been augmented by increasingly strong secular growth trends in the tech sector, which we can broadly categorise as resulting from the digital transformation agenda (I have a full dissertation on that subject for another time!).

And this positive underlying trading environment has been turbo charged by the availability of cheap (almost free) debt. I see two key elements to the impact of this; leverage multiple inflation and the attractiveness of risk assets. Looking at these in turn, with the memories of the global economic crash still fresh in investors' minds, the impact of the availability of this cheap debt was quite slow to materialise. However, as memories of the crash recede, leverage multiples have started to climb once again, fuelling the boom in valuations described above. As a result, we have seen Debt to EV/EBITDA multiple back at 6x–7x, broadly where they were in 2007.

And rather more worrying is that some banks and private equity firms are applying these multiples to EBITDA numbers that are calculated in ways that the more rational investor might consider optimistic, to say the least. We hear lots of talk of run-rate EBITDA, adjusted for all manner of supposedly one-off items. Some of the more interesting 'one-offs' we have seen recently include 'new product launch costs' and 'exceptional R&D costs'. As we used to say back in the dotcom days, EBITDAbBS (EBITDA before Bad Stuff).

The second consequence of historically low interest rates has been a somewhat manic dash for growth as investors seek a decent return on their money. With bank accounts effectively paying nil interest, private and professional investors alike have sought out risk assets wherever they may be. As this pursuit has got gradually more desperate over the last few years, there has been a concomitant and worrying reduction in investors' quality threshold. As a result, we have seen relatively poor quality businesses trade at silly multiples, while some of the highest quality businesses are now off-the-chart expensive.

In addition to these two long running macro factors, I see two other specific issues which have been contributing factors to the recent bull-run. The first is the huge sums of money on the balance sheets of US tech gorillas that is trapped outside of the US for tax reasons. Without the ability to repatriate this cash, US corporates have been directing a meaningful amount of it to M&A strategies outside of the US, thereby fuelling M&A activity and valuations. Lastly, and more recently, the sharp fall in Sterling since the Brexit vote has made UK assets look relatively inexpensive, despite underlying valuation inflation.

> ***"What is important, for investors and entrepreneurs alike, is to understand that, in my view at least, we are at or near, or even perhaps already passed, the top of the valuation cycle"***

These four factors have combined to create what increasingly looks like a valuation bubble. But, as we know, bubbles usually last longer than many investors think – it's an intrinsic part of a bubble – so why should it stop now? Well, if we examine the current state of the four driving factors outlined above, we can see that the tide is turning.

While valuations have been rising consistently since 2008, GDP growth in the UK has actually been falling since 2014. It hit a peak of 3.1% in 2014 and dropped to 1.8% in 2016. While we have certainly not seen the dire effects of the Brexit vote that the Remainers predicted, there is no doubt that the uncertainty surrounding our exit from the EU has caused a further weakening of the economy, with GDP growth now firmly below 1%.

More recently, after nearly a decade of almost nil interest rates, the direction of travel is now finally changing. The Fed has already raised rates modestly, and has sent clear indications that it will continue to do so, and the MPC is turning significantly more hawkish on interest rates, with a rise now predicted in the new year.

Turning to my last two factors, while Sterling remains well below its pre-Brexit vote levels, it has recovered about half of the ground it lost against the dollar, thereby moderating the valuation deflation effect for US buyers of UK assets. Last but not least, while there is nothing active right now, Trump is openly talking about changes to the US tax regime to make it easier for US corporations to repatriate cash trapped overseas, which would materially reduce the international M&A war chests of large US corporates.

So, where does all of this leave us? Well, I learned long ago that trying to make short term calls on the market is a mug's game so I won't even try. I am certainly not predicting some kind of year 2000-style dotcom crash, although the possibility of that happening does increase if valuations continue to rise. What is important, for investors and entrepreneurs alike, is to understand that, in my view at least, we are at or near, or even perhaps already passed, the top of the valuation cycle.

Whether valuations will continue to rise for some time yet before they fall, and when they fall, how far and how fast it will happen is impossible to predict with any accuracy. However, I do know that those investing today should take account of the clear evidence about valuations and, all but those with the shortest of investment horizons should plan to exit their investments at a lower valuation than their entry price. Under these circumstance, the only way in which the investor can still make a return is by growing profits faster than the decline in valuations, so only the very best businesses are likely to deliver any return for their investors over the coming few years.