

## Insights from industry leaders across the consulting, technology and services sectors



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## INTRODUCTION FROM STEVE MORRISON

### Welcome to the 37th edition of insight Magazine from SH Gillamor Stephens

This issue of **insight** is published as Covid-19 continues to cause a global health and economic crisis. Working practices have fundamentally changed as people have adapted to restriction of movement and lockdowns. It is widely agreed that the pandemic has rapidly accelerated the pace of digital transformation across most industries and the public sector. Technology and services providers are at the forefront of this change and as a result their businesses have proven very resilient through this challenging period.

When the first lockdown was announced in March 2020, given the uncertainty over what the future would hold for all businesses, we found that certain organisations paused key hiring activity. However, as the year progressed, board level and investor confidence returned, search assignments were reactivated and by the autumn, hiring levels were equivalent to the pre-pandemic period. That momentum has been maintained in the early period of 2021, with many of our clients now planning ambitious growth agendas. The speed that we have seen companies adopt virtual hiring processes, punctuated with, when restrictions allow, a 'coffee in the park' is a pleasant surprise. We are also seeing the increased use of online assessment tools, such as TeamScope, to provide valuable data points to support key executive hiring decisions.

Throughout the years of interviewing CEOs and Executives for **insight**, we have noted recurring themes arise when discussing leadership. These are: **Culture** – building and developing the right culture to breed success; **People** – ensure people feel valued, are team players and are able to develop their skills and experiences; **Authenticity** and communication – clarity of vision, strategy, openness; **Diversity** – surround yourself with diverse thought and experiences to implement in to a successful strategy; **Mentors** – develop yourself with the support of strong allies and

guidance to push yourself as well as the business forward; **Customers** – being absolutely obsessed by the customer and a clear drive to succeed for them; and **Agility and Innovation** – being flexible in your approach to adapt and change as required. The technology sector continues to grow at a rapid pace and is constantly evolving, and while there is no single blueprint for leadership, the current global pandemic has illustrated that CEOs need to be able to proactively adapt their leadership skills to new challenges. The leadership theme is explored with many of the contributors to this publication along with their views on technology trends and current market dynamics.

I hope you enjoy this issue of **insight** Magazine and I welcome your feedback.

Stay safe and well.

**Steve Morrison**

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### About Us

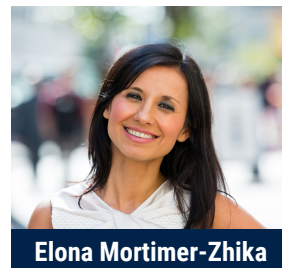
**SH Gillamor Stephens** is the Technology Sector Practice of Sheffield Haworth, a global talent consulting firm advising customers on people and transformational change. Our aim is to help individuals and organisations to realise their potential. SH Gillamor Stephens' services include Executive Search, Board Assessment, Leadership Development and Coaching plus Interim Consulting. We have a proven track record and particular expertise in working with technology companies in the following areas:

- **Enterprise Software/SaaS** – vertical market applications, AI, data analytics, cyber.
- **Cloud Services /Digital Transformation Services** – hosting, infrastructure services, digital consulting, managed services.
- **Deep Technology** – space technology, battery technology, AI chip sets, IoT.

## executive insight

# DON'T BE LUKEWARM

**Elona Mortimer-Zhika is CEO of IRIS Software Group, one of the UK's largest privately held software companies. Its mission is to be the most trusted provider of mission-critical software and services, ensuring customers get it right first time, every time. IRIS works with accountancy firms, finance, HR and payroll teams, and educational organisations, helping them be more productive and better engaged with stakeholders while remaining compliant with regulations. Elona spoke with Steve Morrison of SH Gillamor Stephens about her career, thoughts on leadership and current software market dynamics.**



### IRIS and Current Market Dynamics

We have over 120,000 customers, of which about 80% have been with IRIS for more than five years and many have been with us for 20 years. As a 42-year-old business, we have transformed both organically and inorganically by developing new products, making acquisitions and growing partnerships. Over the last 18 years, we have grown at c.18% CAGR and now have an annual revenue of over £225 million and EBITDA of over £100 million. We employ about 2,000 staff, primarily UK based, but also have teams in the US, India and Australia.

The COVID pandemic has propelled our digital transformation to a mere matter of months rather than years. It has created much disruption in the market and although there have been many sad stories, it has also impacted businesses in a good way, diversifying business strategies to not only survive but thrive through these challenging times. Much of this has been led by technology. As a technology provider, you have to stay ahead of the game. You must keep investing to ensure customers have what they need. Our response has been to double down on our technology investment and increase it. This was a brave move as at the time COVID hit, most businesses looked at their costs to say, "Okay, what can I cut to remain viable?". We accelerated our digital transformation and doubled our investment in our dynamic SaaS platform, IRIS Elements, an initiative we started a couple of years ago to

move our desktop products to the cloud, starting with our portfolio for accountancy firms. When COVID hit, our customers needed this more than ever so time to market has become a leading part of our strategy. We accelerated its build, hiring 120 developers into IRIS Elements alone and partnered with a third party called Endava for additional development support.

The technology solutions we provide are mission-critical to our customers. Wherever they are, working from home or in the office, we must deliver solutions that are 100% right first time, every time. This enables our customers to be compliant, engage with their employees, customers, parents or pupils, and gain efficiencies in every area of managing their organisation.

### Acquisitions and Integration

Acquisitions are a part of life at IRIS, we have always been acquisitive but more so in the current environment. We spend much time and effort making the right acquisitions for our customer base as now more than ever, they are adopting new solutions and tools to stay ahead in their markets. The ability to deeply integrate and manage cloud applications can make a substantial difference as organisations across the globe see simplifying mission-critical business tasks as vital to driving growth, innovation, and cost savings.



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For us, it is important we maintain our cloud investment strategy as it's not a matter of when will the adoption happen. It is happening now. If you look at our last three acquisitions; iSAMS, Staffology and Senta, they are scalable cloud solutions. They fit strategically with the needs of our customers.

So, talking about integration, do we have an integration playbook? Yes, absolutely. We have an integration team. Long before we acquire a company, we discuss how our teams, processes and technology will work together. There are must-haves but it is also hugely important to tailor our approach to every acquisition. No two businesses are the same. Given the sensitive nature of our customers' data, the first must-have is security. We make sure every business we acquire is wrapped in security technology. Employee experience is also top of our agenda to ensure there is a smooth journey as they join the IRIS culture. It's important they know what makes them great and at the same time make sure they feel part of a bigger family. They are provided with the tools for more learning and development, plus a different array of benefits and collaboration tools.

The biggest asset we are buying outside of technology is the people. They are passionate about their technology and customers so if we cannot keep them happy and engaged, then we are never going to maximise the value of the investment.

“ **The biggest asset we are buying outside of technology is the people.** ”

### Personal Career

I was a maths geek; I did accountancy and economics at university. My dad was an accountant and this is where my passion started.

I spent nine years within the TMT divisions of Andersen then Deloitte, which was a great training ground and where I was first introduced to IRIS as an audit client. Following this experience, I moved in house to PE backed, Acision, at the time the world leader in text messaging.

I joined the business as Group Financial Controller and it was a whirlwind of a journey as the business provided a product that became commoditised. The market quickly moved from paying 10p a text message to not paying at all, as voice and data bundles became the norm. WhatsApp appearing completely disrupted the sector.

The lesson from Acision was that technology moves so fast, you cannot sit on your laurels. You cannot have the attitude, “I’m the market leader, so it’s fine. I’m going to win.” You must stay one step ahead. With a constant flow of new entrants to every market, it’s vital to continue innovating to provide products and solutions for customers of today and tomorrow.

I joined IRIS because it excited me. It had grown significantly; when I first audited the business 20 years ago, IRIS made £5 million of EBITDA and when I joined in 2016, it had grown to over £50 million. I wanted to be part of a technology leader that can stay ahead of the game.

I joined as a CFO in November 2016 and in May 2018, we were acquired in a private equity-led buyout by Hg Saturn Fund and Intermediate Capital Group. The CFO role is a fantastic seat at the table, as people look to the CFO not only for financial stewardship but also for commercial acumen. Great leadership also requires wider knowledge beyond the financial strategy so when I became COO in November 2018, it gave me the opportunity to get involved in broader areas such as the customer journey, products and services, and most importantly people. I was privileged to

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become CEO of IRIS Software Group in September 2019.

I did not join IRIS expecting to become the CEO. I focus on doing the best I can and am driven by the job at the time. As with every role, if you do a fantastic job and get involved, opportunities come your way.

Being the best version of you, putting your hand up and doing the very best job you can, earns your stripes. As a woman in leadership, I am conscious we need to create environments where everyone can be successful, where they are judged by output rather than input. Flexibility in working practices has been the problem, but the pandemic has shown us we can all be flexible because we are all at home, and being more productive than ever. We are encouraging our people to say, "find a way to be able to look after your wellbeing, look after your family and do this job without one being more important than the other."

Creating an environment where flexibility is the norm rather than something people ask for as a favour and judging people on output creates more opportunity. Fostering a culture where you are encouraging high potential employees to put themselves forward is critical.

### Mentoring

A great mentor can show you the positives and how to overcome your challenges. Initially, my mentors were my direct bosses. I have been very fortunate to work for people I could look up to and learn from. This drove my success. In recent years I have made a conscious decision to identify mentors through my own network. Without curiosity and a continued willingness to learn, we don't progress.

Finding the right mentor is critical and my advice would be to find a confidante you look up to, someone you want to become. Where do you want

to be two to three years from now? Working with a mentor that has been in your shoes and gone through the same challenges helps no end. My personal objective was to work with a female leader who had a family. That was important because I have children and wanted help in balancing both precious worlds.

### Leadership

My approach to leadership is to be authentic. Everybody says that about themselves, but I do genuinely think you cannot do this job and put on a 'face' - the version people want to see. We spend many hours a day working. If you cannot be yourself, it is very difficult to give the commitment and passion the role requires.

Connecting with employees is of course harder now due to the pandemic. Working from home means you no longer bump into people at the coffee station or in the lift. Those ad-hoc conversations – making sure individuals are okay or asking a quick work question have disappeared for the time-being so leadership requires more conscious effort.

One of the tactics I use is a weekly internal blog. This was initially sent as a COVID update but as we are now heading towards the 50th week of lockdown, it has evolved to talk the emotional side of the pandemic, a topic which every person has in common.

Every individual is balancing their work and personal lives, whether it's home-schooling, looking after somebody or maintaining wellbeing. We have much in common. Being able to speak openly about these issues connects us as a business.

“As a woman in leadership, I am conscious we need to create environments where everyone can be successful, where they are judged by output rather than input.”

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It's important to make a conscious effort to replace the physical contact with other forms of communication to stay relevant and close to employees. The focus must be on motivation, positivity and wellbeing.

### Hiring

Most people come with technical relevance and expertise but in addition, I look for enthusiasm and passion. I have this phrase, 'Lukewarm is no good'. You have got to give something 100% to be successful. Understanding what drives someone, what gets them out of bed and how they are going to be passionate about their role is very important for me. We have a focus on output rather than input. We are here to win and be successful so we need to be judged by how much we achieve - the outcome.

**“ I have this phrase, 'Lukewarm is no good.' You have to give something 100% to be successful. ”**

Curiosity is key for me. I like curious people. It is a question I ask at every interview as we are all work in progress. We want to hire those with a thirst for learning. Commercial acumen is imperative; you need to do the right thing by employees and customers, and run a successful business.

I firmly believe that hiring people from different backgrounds makes for better decision-making. The power of diversity produces the best results. If you hire to your own cut, your team will be the same as you, and the decisions you make will not be as informed as they could be. Don't work with 'yes' people.

**“ Commercial acumen is imperative; you need to do the right thing by employees and customers, and run a successful business. ”**

Bringing together multifaceted teams not only gives you learnings along the way but makes your world bigger, raises the bar and enables you to make the best decisions. I am a great promoter of diversity at IRIS because diversity, in its truest form – and I'm not only talking about gender – creates an incredible working environment. Each of us is unique, regardless of race, religion, colour, gender identity or expression, sexual orientation, disability or age. It is these differences that make us great. In diversity there is beauty, there is strength and better outcomes.

The final piece is hiring resilient people with relentless energy. COVID has highlighted how important resilience and adaptability are. I have been amazed with how we have coped and thrived in the past few months. The only thing we can guarantee today is that change is constant.

Leadership requires innovative thinking, a passion to make it happen, complete customer focus, unswerving accountability, and fantastic teamwork. Bringing these together with the best version of you creates a great recipe for success.

## leadership insight

## AIM LEADERSHIP



Reece Donovan

Reece Donovan joined AIM-listed managed cloud and security services provider iomart Group PLC in March 2020 as COO and became CEO later that year. The company employs 400 people and delivers managed services from both owned and managed data centres it operates across the UK, as well as internationally. Annual revenues are £110m+. Steve Morrison of SH Gillamor Stephens had a discussion with Reece to understand the transition to running a PLC, his views on leadership and the market opportunity for iomart.

### How have you found making the transition into the PLC environment as a CEO?

I have worked for a number of public companies before, both in the UK and USA, so I am very familiar with this type of business structure. You become more numbers driven and accustomed to interacting with different types of boards which I have not found to be an issue. However as CEO, there are some new aspects to consider, particularly around investor relations, presentations and roadshows. We have recently been through our first set of interim results which involved meeting a number of our shareholders and the analysts. In the beginning it was pretty challenging but it became easier after the first few meetings.

### What are the investor days like for you?

Taking a step back, there is quite a bit of preparation that goes into them. You need to build a presentation that has clear messaging and numbers. For this, we work with our public relations company and others to make sure we have all the content ready. Then the day before, we are busy tweaking the final bits and pieces, talking to our brokers and analysts. On the day, the results go out at 7am and it's full-on from then. First, we meet the press over a series of calls and then we deliver an analyst presentation, followed up with more press calls. The investors come next, doing about 35-40 meetings in a week, and a few more after that!

For two weeks everything is quite intense, because you keep covering the same content but the questions are often asked differently and

you need to be consistent with your answers. There is also a mix of people in the meeting, some who are well aware of what we do and some who do not know the company at all. That is why it is so important to get the messaging in the presentation right, so it is understood by both audiences.

### It is relatively early days, but how have you found the transition from the founder CEO to yourself?

Well, if we look back then there is no doubt that Angus MacSween has built a fantastic business over the last 20 years. It has grown, has a very strong business model, generates high amounts of recurring revenue and cash, and is a market leader in profitability. I was fortunate that we had time to get to know each other during the months when I was COO. Since I stepped up to CEO, Angus has been incredibly supportive, and I have been delighted to work with him. He has moved onto the Board as a Non-Executive Director and he is available when I need him. I can just call him up and have a discussion any day of the week. He provides great guidance but lets us get on with the day-to-day activities, so I do not have to run everything past him. I think for some founders this change is extremely difficult, but I am very happy with the way we are working.

### How has it been, starting first as the COO and then taking over as CEO in a lockdown environment?

That was quite difficult, as I joined in March 2020 just as the national lockdown hit and had to wait until August for my first face-to-face meetings with the team. In the intervening period, we spent



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an enormous amount of time collaborating via video calls. The change to working from home went remarkably well though and happened almost overnight; we have people who have a lot of technical know-how, which helped with the transition. What was quite difficult for me at the time, was positioning myself within the business. To deal with this, we decided I would work on a series of special projects, which proved to be very helpful. It gave me the opportunity to learn and to focus on particular areas of the business and really get to know the people, how we operate, customers etc. and meant I was ready to run when I moved into the role of Chief Executive.

### What are the key opportunities and challenges moving forward for iomart?

We are currently conducting a strategy review, as is often the case when a new CEO is appointed. We have been quite open about this. I think we need to look at the ongoing opportunities opened up by COVID causing so many businesses to pivot and embrace digital. For example, I have a friend who works for a large retailer and they did all their business through retail outlets, but with lockdown, all of that stopped. They could not just stop the business though so they adapted and built an online presence in a matter of months. As a result, I think they were doing something like 45% of their original revenue within about three months, which is phenomenal. This is a great example of the reinvention that COVID has driven.

At the moment, it is clear that many businesses want to retain their existing providers and they are keeping discretionary spend under careful control. People want to protect their businesses and their cash flow to make sure they are resilient for as long as possible. However, as they look ahead, unless their business model is largely offline, they will need an online presence and will have to create one or enhance what they have, which plays into what we do. Most of the companies that we support have grown with us

through an initial web presence of some sort. We will continue to see opportunities when they reignite their digital transformation ambitions as business confidence returns. We also have a good opportunity with plenty of customers who are growing significantly during this pandemic. It is not only about helping customers protect their business if they are in a sector that is under pressure, we also need to support customers who are doing well and have a very strong online presence or have an idea that they want to exploit online.

There is a lot of opportunity for us because we are in a very large market but have a very small market share. If you look at the private equity owned and some of the small AIM listed businesses that operate in our space, even added together the total market share is relatively small. What is different about us is that we target a very specific set of customers and we help them with their cloud journey. We can provide the full set of services – people, skills, solutions and strategy. We own our data centres, network, and related applications and we keep our customers connected and secure, helping them to operate efficiently and grow and protect their businesses.

In the small to medium enterprise space, our role is really important because many of those businesses do not have lots of IT capacity or in-house skills and often need to ask a company like iomart for help. We provide that uptime and cost certainty, paying a fee every month for a managed service they can rely on. Then, as they look to the long term, they are going to need help with security, data protection, backup, disaster recovery, connectivity and management of a hybrid mix of cloud services, all of which we can provide.

### The company has been very acquisitive over the years, will that still be part of the strategy going forward?

Yes, we have a proactive M&A strategy in addition to our focus on organic growth. We will continue

## leadership insight

making bolt-on acquisitions, but we are also open to a big transformational acquisition at some stage. We have made over 20 acquisitions so far and while most have been integrated, a few of our older brands are still out there. We are currently bringing everything together and simplifying our organisational structure so we can offer the entire range of our capabilities to all our customers under a single, stronger, 'one iomart' approach. The only exception will be our Easyspace brand, which provides web hosting and domain name services to micro-businesses.

### What is your philosophy on leadership?

I would summarise this as having the ability to make things simple for people, by being clear about what it is we are going to do and then having relentless communication around that. I have worked in many complex organisations, and in that environment it can be a struggle for people to know what direction you are going in or what you are trying to achieve. We work in a complicated market so it is important to explain the purpose of the business with simple concepts and communicate this effectively at all levels in the organisation. It is easy to say things, but unless you actually do them, demonstrate success, and celebrate that success, you don't build trust, which is what it all comes down to.

You have to be able to talk the same language with all your teams. From time to time, you need to roll up your sleeves and be an active member of the wider team to provide the needed input, support and guidance that builds respect between team members. Through interactions like this, you build respect and trust, which is really important.

The lockdown has required a lot more communication and a lot of video calls. Since I joined in March we have tried to get into the office where possible, but we also need to protect our people. We have used communication tools to our benefit, but I can see that this way of working is quite tiring for people. When you are doing strategic pieces of work and brainstorming, it is actually very difficult to do it remotely. Where necessary we have embraced some good digital

tools to facilitate real-time conversations, but without overcomplicating things. I do not think the leadership approach changes, the enablers of it do.

### What do you look for when you are hiring?

Good interpersonal skills are key. If you cannot collaborate with your colleagues, it is extremely difficult to succeed. I think technical skills are a given. I also look for a certain attitude, people who are eager to learn and want to advance and thrive in a fast-paced environment. Just because you have a number of skills in technology today, does not mean you will have them tomorrow. The ability to say, "I want to learn, I have the ambition to do well and I want to support customers," is something I value highly because in our type of business it is all about the customer and providing the best service. If that does not really inspire you, then our business probably is not for you.

### Any tips for aspiring CEO's?

The question they need to answer is, "Why do I want to be a CEO?". It is a very unusual and challenging job and is certainly not for everybody. I never actively pursued becoming a CEO but have been lucky enough to achieve it. There are plenty of talented people out there who could be a CEO, and will work their socks off but never become one, just because they did not get the right opportunity. Achieving the status of a CEO is a mixture of hard work and luck. Once you get that first role, it becomes much easier to get the next one.

My advice would be to work hard, deliver results, build networks and do the difficult jobs. You need to make a difference and ideally position yourself to be the successor to the current CEO in a business. If you are not in that position, I think it is quite tough because there will be people who say, "They have not been a CEO, I am not sure I want to take a punt on someone who has never done it." You might be fantastic, but the lack of track record and reference point could make people nervous. There is no silver bullet here; otherwise, everyone would be doing it!

## VIEW FROM THE TOP

Whilst some businesses are struggling to survive, others are reaching new levels of growth. There is no playbook for boards to follow in response to a global pandemic. Board members must find a balance in simultaneously managing short term responsiveness, the need for rapid decision making, and thoughtful planning and preparation for future recovery.

As the UK moves through its third period of lockdown since the onset of the global pandemic in March 2020, SH Gillamor Stephens considers the impact of the COVID 19 crisis on the performance of boards and non-executive directors. David Bailey, who leads coverage of the CFO function for SH Gillamor Stephens, spoke with Charlotta Ginman to understand more about the perspective of a plural Plc non-executive director during the COVID 19 pandemic.



Charlotta Ginman

### What has been the impact of COVID 19 on you as a plural NED?

As the UK went into its first lockdown in March 2020, one of the boards I sit on was in the process of preparing to publish its annual report following the December year end. The heightened uncertainty made this much more challenging, particularly in relation to signing off on forward statements. With so much market turmoil there were clearly implications for obtaining external auditors sign off too. It was a really tricky time.

To an extent, there was a 'novelty factor' to the first lockdown. After the initial period of adjustment, many people found benefit in less travel, more family time and for me, more time for reading board papers and preparation. The shift to remote working also had an extraordinary impact on digital transformation. We have all had to learn fast. Of course, there was a degree of variability in adaptation amongst board members and leadership teams, but on the whole, the businesses I am involved with made a really good transition, accomplishing digital change that would ordinarily take years in a matter of weeks!

The second lockdown definitely felt harder. Any novelty factor from the first lockdown was lost and it was clear that COVID 19 was not simply going to go away, it was not possible to predict

when the situation would improve. From a business perspective, this deepened uncertainty making it much harder to plan ahead, resulting in the delay of important decisions. News of a vaccine certainly helped us to see a way forward, but without a definite timeframe and so many questions around vaccine distribution and efficacy, it was extremely difficult to plan ahead.

The transition to video conferencing in place of face-to-face meetings has been smooth for the boards that I sit on, but it is interesting to observe how this has started to impact behaviour. Conversations that perhaps could have been completed in a short phone call have now become video calls, and inevitably, this gives rise to the temptation to extend an invitation for others to join. Multiple people on a call really does change the nature of the conversation.

It feels as if video calls are becoming the default and its harder to have brief, discreet conversations that one may have had in a short phone call before. I think it can also feel a bit dismissive to have a VC for 5 or 10 minutes. There is a sense of a greater obligation for VC calls to take longer.

## plc insight

### Interaction with board members, the executive and the business

Whilst the frequency of board meetings hasn't really increased, I have more 'catch up meetings' and interactions with other board members and the leadership teams now. I think this is something that we will continue; whilst the increased frequency of contact means more conversations, in turn this has helped to reduce the length of periodic board meetings. It's no longer necessary for the board to all be in one place to meet. The board members I work with have adapted quickly to virtual board meetings and there have been no major issues with technology. I do think it is much more difficult to chair a board/committee meeting over a VC though. This is a real skill. Adjustments need to be made when we are not in the same room to make sure that everyone gets a say and stays engaged.

As a NED it's important to get a good feel for the business, to understand what is happening on the shop floor. But the opportunity for informal spontaneous conversations with the team has largely been lost and this presents a range of new challenges. In comparison to visiting one of our offices, communicating via video conference can often feel stiff and staged.

The VC format has worked well for me with people that I already know, with other board members and our senior leadership teams, but can be far less effective a way to communicate with people you know less well or haven't had the chance to meet at all before.

In particular, it's really difficult to engage with middle management in this way. It can feel uncomfortable calling managers in the business 'just for a chat' out of the blue, and in the absence of being able to visit our teams on the ground as I would usually do, spontaneous conversations become harder.

I think this loss of interpersonal interaction heightens the board's concern about employee wellbeing too, and in particular during this crisis, employees' mental health. Typically, I would travel a lot and have the opportunity to meet people in person. It's much easier to get a sense of how people are really feeling when meeting face-to-face and that has been lost almost entirely.

I joined two new boards during lockdown and there are lots of people in each company that I simply haven't been able to meet face to face yet, which is of course far from ideal. One of the businesses I work with have made senior leadership hires during the pandemic too. Meeting candidates in person is, naturally, preferred but meeting via VC is a pretty good alternative and we have found this to be an effective substitute.

### Employee Wellbeing

The longer that this crisis goes on the bigger the issue of employee wellbeing becomes, and this is a very serious concern. The boards I sit on have had a high frequency of interaction with their CEOs and CFOs, and whilst business leaders are of course under huge pressure, it's also more likely that they will have good infrastructure and support around them.

“ I think this loss of interpersonal interaction heightens the board's concern about employee wellbeing too, and in particular during this crisis, employees' mental health. ”



## plc insight

Thinking about how we support our workforce has been and continues to be very high on the board's agenda and we are doing everything that we can. Employee surveys have been useful and the vast majority of employees in the businesses I am involved with say that they don't necessarily want to return to the office and are happy to continue to work from home, or a mix of remote and office, at least for the foreseeable future. There are obviously practical implications to this, particularly in relation to the real estate footprint of each business that I work with. There is an opportunity to change the way in which we work and redistribute infrastructure cost savings to support employees.

Finding ways to make it easier for employees to work more effectively at home is a priority, especially for those that don't necessarily have a dedicated space to work in.

There are wider issues in the shift to remote working that the boards are concerned about though too, especially around employee engagement for the longer term, maintaining corporate identity and culture, and crucially, how to read the mood of the business across a dispersed workforce.

One thing that has perhaps been an unexpected surprise is the reduction in employee grievances. There are likely to be a number of reasons for this but clearly not working in close proximity means there is less opportunity for potential conflict. With remote working now a necessity, boards need to adapt practices and controls to mitigate both risks to the business, and, to make sure that remote working is safe and secure for employees. Digital risk is a particular concern.

## Diversity, Organisational Purpose and the Environment

There is definitely a much broader view of diversity and inclusion now for the board. There has been a huge leap forward. This has been the direction of travel for some time though and I don't think the increased awareness is necessarily related to COVID. From the initial focus on gender diversity over the last few years which has moved relatively slowly, the next wave of change is moving much faster and accelerating across all diversity categories.

COVID has clearly prompted deeper thought about climate change and the environment, but life goes on if you can't travel or fly. Video calls have proven to be as effective and more efficient than business travel. It has always been important to consider the social and environmental impact of a business. CSR and ESG have long been a focus for the boards I am a member of, but everything seems to be linked to COVID now, whether it relates directly or not.

**Charlotta is a non-executive director and chairs the audit committees of Pacific Assets Trust plc Polar Capita Technology Trust plc and Keywords Studios plc. Charlotta is also a non-executive director of Unicorn AIM VCT plc, Boku Inc. and Gamma Communications plc. She qualified as a Chartered Accountant at Ernst & Young before spending a career in investment banking and commercial organisations, principally in technology related businesses. She held senior roles with JP Morgan, Deutsche Bank, UBS and the Nokia Corporation.**

## entrepreneur insight

## A PATIENT APPROACH TO GROWTH - FROM VC BACKED START-UP TO PLC



James Balmain

**James Balmain co-founded Zesty, a VC backed Digital Healthcare business, which he sold in 2020 to AIM listed Induction Healthcare PLC. Now Co-CEO of the PLC he provides insight into the company's pathway to success.**

### Zesty - where did it all start?

Zesty started in late 2012 when my business partner, Lloyd Price, and I secured a seed capital investment from Mangrove Capital. Our business model then was very different to what it has grown into today; initially, the plan was to create a system to connect patients with private healthcare professionals, such as dentists, physiotherapists and osteopaths. A little bit like Open Table but for healthcare whereby a patient could see a live view of a healthcare professionals' availability and were able to book a consultation via the portal. The original proposition was for healthcare practices to pay a fee for every patient referral but keeping the platform free for patients.

Zesty first launched in London and we gained really fast traction and as a result decided to take follow-on funding to support the launch in Holland and in other major cities in the UK. The sizes of these cities and their spending power meant that they did not flourish quite as well as in London, but the various launches were successes, nonetheless. We then moved into rural areas and soon realised that the cost per acquisition per patient was rocketing, to the extent that at one point it cost five times as much to acquire a patient than we were being paid. It became clear that this was not sustainable, and we went back to the board and suggested a pivot away from private healthcare. This coincided with me having met Joe Harrison, Chief Executive of Milton Keynes Hospital, who was keen to see a version

of the Zesty app for his patients to manage their outpatient appointments. Doing this manually had become costly for the hospital, so they were looking for a new digital solution. If you have ever had an outpatient appointment you know how inefficient the process can be – appointment confirmation letters still being sent by second class post, sometimes the letter arrives after your appointment time, you cannot get through on the phone to rearrange, etc.

With the new contract at Milton Keynes Hospital, Zesty began to build an enterprise platform from the ground up and made the pivot to expand into the NHS secondary care sector – thus began the Zesty as we now know it. So, as I often say, even though the company is eight years old, actually it is only really approaching four years old now. Over the first 18 months working with Milton Keynes Hospital, new modules were added, such as allowing patients to access all their correspondence in real time, expanding the platform beyond a booking platform. Zesty have since been working on adding remote monitoring to improve communication between patients and their care teams. This even goes so far as to connect devices that patients can use – for example in monitoring their blood pressure –and we can take that data and write it back into the clinical records inside the hospital.

Over the last three years we have built a comprehensive digital platform that forms the patient-facing system for the hospital. It is taking

## entrepreneur insight

all that paper and telephone analogue communication which was sporadic and expensive to maintain and turning it into a much more up to date digital experience that we are seeing in just about every other vertical sector in the world at the moment. If you want to use a digital platform to reduce costs and make the process more efficient from an overall health economy point of view, my view is that the place to start is in the hospitals themselves, and once you have got the scale, given the national coverage of the NHS, you can leverage the power of that large user group. For example, you can start to provide data feeds within the NHS on population health, or moving forward, there could be a way to empower secondary care patients with a local copy of their own records.

The Zesty commercial model is straightforward, in that we charge hospitals a recurring annual licence fee for the platform, and we measure success and growth by the number of hospitals that adopt the platform each year. I believe that Zesty has a compelling offering to patients, and I believe that, when it comes to patient engagement platforms, the market will consolidate to one or two players in major territories across the world that reach a critical mass of patients on their platform.

### Why did Induction Healthcare acquire Zesty?

I first met Ihs Mahmood, one of the two co-founders of Induction, when we were doing another venture capital fund raise. Induction's MicroGuide enables hospitals to set and distribute clinical guidance locally, while Switch is a communication platform that enables Healthcare professionals to connect and collaborate with the people they need within a clinically complex environment. Induction had the solution to one of Zesty's main challenges – access to doctors. Currently, there are 165,000 registered users, all NHS clinical professionals, now on Induction Switch. We recognised the strategic value in creating a digital platform in secondary care that brings doctors and patients together.

### What challenges has Zesty faced when selling to the NHS?

A few years ago, I had a wonderful breakfast meeting with somebody who had founded one of the main companies that supplies the NHS, who was interested in what we were doing at the time. He asked me, "How old is your company?" and I said, "Well, we are about three years old now" and he said, "Great. So, you are still on year one of your business plan!" Now, of course, he was speaking from a lot of experience and he was absolutely correct. I think the huge challenge in selling software solutions to the NHS is that – and I do not in any way mean this to be negative – nobody is in a hurry except you. One thing you cannot control is how long it will take to get NHS organisations to make the purchase. There are quite a few stories that I could point out in the history of Zesty where seven, eight, nine months have elapsed where all the key stakeholders in the hospital all the way up to the Chief Executive have said, "This is the direction of travel. We want to buy this software. We want to transform our hospital." They are all unanimous, they all want to buy it and yet, nine months goes by until the deal is actually done and the contract is in place. But this is the function of the NHS being one of the largest organisations in the world! There are very complicated procurement rules and as a small company coming into the market where you are unknown, and not a big established supplier, you are perceived a risk. There are very few people in the NHS who will take a risk on a small unknown business. That period of time where you go from being completely unknown to a known quantity, could be ten years. I can think of a few quoted companies where the NHS is their major customer but it has taken them 10 years to get any kind of scale.

So, I just do not believe the idea that you can achieve really rapid growth in the first three to four years of your business. There are very, very few of these cases in healthcare. I also do not think it is unique to the NHS, incidentally; selling into healthcare globally is relatively slow.

## entrepreneur insight

Ultimately, if you have got a great product and it works really well and you can evidence it (and that evidence is key!) then, actually, selling to the NHS is like selling to any other enterprise organisation. It just takes longer.

There is light at the end of the tunnel, however. We're now seeing far faster procurement times – this is partly due to the Covid19 pandemic, but more the result of Zesty gaining scale and building a solid reputation for delivering benefits.

### How has the pandemic impacted digital transformation in the NHS?

There has been an increase in areas such as consultations between patients and doctors over video, but I think in recent months, the pandemic has actually slowed down the digital transformation of the NHS. Attention is focused elsewhere as hospitals are dealing with the enormous day to day challenges of dealing with the pandemic. However, in the medium term, the pandemic will accelerate digital transformation. Previously, digital transformation was just one thing on a list of priorities for C-level teams, but now it has risen into the top 3 or 4 critical agenda areas. Purchasing patterns that encourage digital transformation may return to a kind of normal level later in 2021, but with extra regional and national resources being made available to invest in digital tools, particularly those that look to replace the analogue referral pathways for patients with digital alternatives.

### How is Induction moving forward with its internationalisation?

The numbers of Induction users in Australia, South Africa and Mexico through our MicroGuide offering are strong and increasing. The real focus is taking that organic user base and commercialising it to provide integration and bring patients into the mix, in the way we have been able to in the UK. Right now, we're working to launch in Australia with several hospitals in Melbourne and we have a national contract in Mexico. The key target for the business is to be

operating in four territories (one of which being the UK) in the next two years. The high-level ambition, over the next three to five years, is to take the business to the £200m to £300m market capitalisation level, with a strong recurring revenue stream and the right mix of multi-territory activity.

### How have you adapted to a PLC environment?

The switch to public ownership from private has been a steep learning curve, particularly the significant increase in governance and the focus on information flow. The cost base of a public company is very different to that of a private company; we invest a lot more time and energy as a public company in our finance function and processes than you never would in a private company of similar scale. From a management perspective, there is a bigger overhead and bigger set of concerns for senior managers; but generally, in a day-to-day role the responsibilities are not too different – building the market, honing the product for market, monetising are all the same things a private company do. The credibility of being a PLC with a strong balance sheet, liquidity and access to capital are a definite positive as it will be easier to drive an M&A strategy to accelerate our growth plans.

### Are there certain key attributes you look for when hiring for Induction?

I always look for three main things. First is their motivation; that they want to work for Induction – it's not just a new job anywhere, they are excited about our company and what we do. Secondly, their skills and experience, what they have been accountable for in the past; fundamentally, can they do the job. Lastly, although we are a listed business, we are really a start-up moving to a scale-up phase and our people need to be "hands on" and entrepreneurial, aligned to our culture and values.



## spacetechnology insight

# LONG TERM INVESTMENTS AND CREATING AN EVERSHRINKING WORLD

Paul Gillespie, MD Deep Tech had the pleasure to meet Mark Thomas, CEO of Reaction Engines. They discussed how the company is helping to make the world feel even smaller by developing the technology that will enable hypersonic travel. Using truly barrier-breaking techniques, their quest will eventually enable us to fly anywhere in the world in less than three hours.



Mark Thomas

## Mark, tell us what Reaction Engines is trying to achieve?

We're looking to make that breakthrough in hypersonic flight which will lead to a revolution in space access, so that space travel becomes a routine, everyday event - more commercial aircraft-like in manner. To do this we're using the attributes of the propulsion systems of jet and rocket engines and developing avant-garde technology, which will enable us to travel at more than one mile a second.

## Can you explain the definition of 'hypersonic'?

More than five times the speed of sound, or Mach 5. Up to that point you're supersonic. Decades ago, the SR-71 Blackbird spy plane achieved the fastest ever jet-powered flight at 3.3 times the speed of sound. That was a huge achievement in aviation and no piloted air-breathing aircraft has ever gone beyond that. As you go faster, the temperature of the air impacts the vehicle exponentially. So, at Mach 3.3, you are over 400 ° C, but at Mach 5, you are approaching 1,000 ° C - the temperature of molten lava.

To counteract this, you need technology and materials that can generate sufficient propulsion and withstand extreme heat. With our proprietary cooling technology this enormous amount of heat is dissipated immediately so the engine is effectively taking in air at ambient conditions. This pre-cooling of air before it goes into an engine has been attempted before, but never

successfully, so we've made a real breakthrough in technology.

## Are you in competition with other companies to achieve this?

Hypersonics as a concept and domain has been studied for some 70 years. Really only now are we seeing the race begin in anger, particularly in terms of the strategic imperative around hypersonics, which centres on defence platforms and particularly missiles.

We've all heard the recent clamour around high-speed commercial aircraft and supersonic business jets, and vehicles that will go even faster than supersonic. Boeing, for instance, announced a hypersonic cruiser and Virgin Galactic revealed a pivot towards high-speed flight opportunities, in addition to their space tourism activities.

## Reaction Engines advantage is having an A-list of investors. Are they just financial investors or are they technology partners working with you to achieve your goal?

A bit of both. The company has evolved from one that was founded and principally built on the back of private investment, which then led us to the world of financial institutions and patient capital funds and more recently, it's been strategic investment from industry, with the intent to get our technology into applications that is being developed for their customers. Rolls Royce has just become one such investor, and strategic partnership is a key element of this relationship.

## spacetech insight

### When do you think the SABRE engine will eventually be deployed?

It's been a very long journey on the SABRE front and the efforts in the early years were especially pioneering. Many of the subsystem technologies required for a SABRE engine are in test now, and we're looking to bring a representative engine demonstrator together soon, which will be a huge step forward. Having said that, we don't expect to see a responsive, reusable, aircraft-like space plane operating until the 2030s. The hypersonics opportunity is earlier, and we would expect to see applications for the technology within this decade.

### Obviously, getting SABRE to market is the ultimate goal but can you monetise the technology now?

What we had to do was establish long-term, strategic programmes with the right investors and industry partners and get those on track. It's only in the last few years that we've built a separate division within the Company to explore, develop and grow the commercial part of the business, and it's been really successful. We have all the IP within the business. It has tremendous value, so inhouse commercialisation is the ideal place to start.

### Can you give an example of a market application for the technology?

Well, there's the automotive sector. The SABRE style precooler, with its ability to provide rapid heat transfer, can be scaled to a size that would happily fit into a Formula 1 race car to improve its performance. And we've also developed unique technology solutions for cooling electric vehicles.

The beauty of this business is it can move with real pace. We have ingenuity in spades, and we are not burdened with a heavy amount of infrastructure or bureaucracy. We can make decisions very, very quickly and people like working with us for that reason.

I'm very keen to remind people that it's not just about the technology. It's about proof of product - getting it in the hands of real customers who are going to use it. We need that kind of experience and feedback to enable us to step into even larger commitments and opportunities. Industrialisation of certain aspects of our business - process, operations - is the next step on our maturity journey.

### What has been the biggest challenge?

Well, the technology is, in itself, extraordinarily demanding, but we're not fazed by that. The biggest hurdle has been finding the right partners that can work at our pace without becoming a constraint or financial burden. We need process and discipline that supports innovation and the ability to partner at all levels, but we can't become a bureaucratic and heavy organisation, so I just need to be careful we don't trip into that place without realising it.

### What are the milestones in the coming years?

I think we are on a path to being commercially viable within the next three to four years. There will be programmes that run significantly beyond that, in terms of research and development efforts and demonstration of strategic capability. It's a big challenge, especially at this time of global uncertainty, but eminently doable.

“ The beauty of this business is it can move with real pace. We have ingenuity in spades, and we are not burdened with a heavy amount of infrastructure or bureaucracy. ”

## spacetech insight

The technology has great appeal and is transformational across multiple sectors. We have, as already mentioned, strong backers and great support from the British government but, increasingly, we're getting interest from the US and other parts of the world. So, it is all to play for. The decisions we take in the next six months will be critical.

**I imagine the reason you're gaining more attention is because what once might have seemed impossible is now becoming a reality.**

That's exactly right. We have to be able to prove how we will be delivering the dream in a way that stands up to intense scrutiny and will not fall at the first hurdle. Let me give you an example of how we've already done this. There were leading government agencies in the US who wanted to see our technology cool air from Mach 5 levels of 1,000 °C to ambient in less than the blink of an eye, at full scale. The only way we could have done that was to fly the technology at hypersonic speeds – something that was years out and a huge cost. So, we decided to build a unique test facility in the US to simulate those conditions on the ground. We achieved that entire programme from standing start to completion of a full test campaign, which fully met the criteria within about 18 months, for less than \$10m. It was truly incredible, and a world first.

**One final question, Mark. Do you have this little dream at the back of your mind of being onboard that hypersonic vehicle?**

Yes! I saw the last ever Concorde flight when it flew into Filton, standing at side of the runway and when I lived in South Wales as a youngster, I enjoyed seeing that iconic aircraft fly directly overhead every day and transition to supersonic as it left the coast. I was also fortunate at Rolls-Royce to be the Chief Engineer for the engines for fast jets like the Tornado and Typhoon, but I regret never getting to fly supersonic - so I would absolutely love to experience hypersonic flight!

**“ We have to be able to prove how we will be delivering the dream in a way that stands up to intense scrutiny and will not fall at the first hurdle. ”**

## non-executive insight

# A SENSE OF HUMOUR AT A TIME OF CRISIS



Steve Davies

**Steve Davies has been a Chair and a Non-Executive Director for a number of technology companies, including Phrasee, where he is Chair of the Board. Phrasee is an AI copywriting tool and digital language optimisation software provider. He speaks about how he first became a Non-Executive, how he made the transition from being an Executive to a non-Executive and what it takes to be an effective Chair.**

### How and when did you secure your first Chair role?

It was back in 2002 at a start-up company called United Clearing. At the time, I was a Director at O2, where I was responsible for running the business division of O2. Prior to that, I had founded a clearing house start-up for the mobile industry, which I eventually sold. One of my colleagues in the business decided he would try and copycat that business, improve it and build a new start-up and he asked me to be the Chair.

The plan was to initially raise some money privately and then float the business. We built a small team, raised the money, got some customers on board and then floated the business on AIM. Subsequently, 5 years later we took it to a successful exit in a trade sale. That was the first one.

### How did you make that transition from operating as an Executive to a Non-Executive?

I think in the very beginning, I was a little bit too hands-on. I had worked with the Non-Executives at O2 and with the start-ups. I had seen people who had done it well. After a while you reflect on how you are behaving in the business and start to think, "I am not the CEO here, I'm the Chair. How have I seen good Chairs behave? Perhaps I'd better be more like them and less like a CEO."

The more Non-Executive roles you have, both as a Chair and a Non-Executive Director, the more you realise the subtleties of guiding people, as opposed to being in the driving seat day to day.

### How did you get involved with Phrasee?

I had just completed a successful exit from a company called ZoneFox, a cyber security SaaS provider, which was acquired by Fortinet. I received a call from a headhunter, who I had used for ZoneFox hiring who said: "I've got another AI business you should take a look at, which is deploying a similar AI product to the ZoneFox platform. It's been going for 5 years and it's never had a Chair. I'd like you to meet the people."

I did my normal due diligence, looked at the company and researched the market it was operating in. I liked the product, the team and the Investors involved in the business. There was a good connection between us and I accepted the job.

### What is Phrasee's core value proposition?

Phrasee has got a smart piece of AI, which is a natural language generation tool. It generates and optimises copy, which brands can use for marketing. When Phrasee wins a new customer, its team of computational linguists build a bespoke brand language model that is specific to the customer's values, tone of voice and its promotional plans. Then, and I'm simplifying, the AI begins generating the copy - often in multiple different languages. The machine learning part of the tech means it's learning and improving all the time, the more campaigns a customer runs. An example would be email subject lines and headlines, which is an easy one to understand. It is much more successful than a human doing the same job. The value proposition really is truly disruptive.



## non-executive insight

“ **If I had been back at O2 and someone had come to me with Phrasee and I saw those numbers in terms of the ROI you can generate from it and how effective it is as an aid to marketing, I would have bought it there and then.** ”

We recently spoke to Leighton L. Chun, Facebook Reality Labs CRM Leader, about his experiences of using AI-Powered Copywriting. He told us that presenting the right language had only improved Facebook’s programmes. In one instance, he quoted a 91% uplift in open rates through the use of Phrasee.

If I took Dixons Carphone, which is another customer, it used our AI platform to write and optimise the email subject lines across all of its campaigns. It saw an immediate uplift in its email open rate of 10%, click-through rate of 25%, and conversion rate of 21%. As one last example, eBay get close to a 16% higher open rate and a 31% higher clickthrough rate from those emails which are opened. Of course, that leads directly to sales and sales generates profits. The platform pays for itself.

The ROI from using this is unbelievable. If I had been back at O2 and someone had come to me with Phrasee, and I saw those numbers in terms of the ROI you can generate from it and how effective it is as an aid to marketing, I would have bought it there and then.

### **Since you’ve been Chair of the Board, what has been your main remit?**

Phrasee had never had a Chair before. There is a brilliant team in place, but the organisation was missing some things. It was clear to me from analysing the business and talking to the

Investors that the company had been underinvested in the sales and marketing functions and geographically in North America. The biggest thing has been gearing the business up for a much bigger push in the US market.

We needed to add some other individuals to the team to balance it up and now we have grown the salesforce five-fold during the COVID-19 period.

We are coming out of this year with significant growth. However, some of our customers, for example in the Travel industry and Airlines, have had a really challenging time through the pandemic as we’ve seen.

This had some impact on us, but we’ve supported our customers in this industry however we can. Many new sectors and brands are investing in Phrasee’s technology due to the performance and ROI impact and as a result we experienced a really strong year commercially.

### **In your view, what skills and qualities make a really effective Chair?**

My way is through having a good sense of humour. There are always tough times in business and you have got to be able to reflect on things and keep your sense of humour. I think you have got to be able to listen and have some empathy. When there are diverse views inside a business, you have to be able to see other people’s point of view and listen.

Then on the flip side of that, you need to have clarity, strong leadership and some sort of business storytelling, shall we say. Once you have decided on a strategy and a way forward for a business, I think part of the Chair’s job is to convince people that there is some logic and a rationale behind where the business is going. From a Chair point of view, it is about storytelling, but from a business perspective. I think the better Chairs have got good analytical skills, good clarity around action and a bit of presence.

## non-executive insight

### How does Chairing Phrasee compare to Chairing some of your other portfolio companies?

There is one big distinction I always draw upon, which is between Private Equity backed versus listed. The PE backed stuff tends to be lighter governance.

I have been Chair and NED at quoted businesses of various sizes. The formal side of governance when you are quoted is a fairly heavy load. In a PE backed business you have still got to do your governance and do the run of the mill stuff, but it is less of a load. It is always a little bit different company to company, depending on the teams you are working with. I have got a fairly broad experience having experienced lots of different things throughout my career. I have been a CEO, I was technical in my early career, I have done a fair amount in sales and marketing. Usually as Chair, you are dipping in and out of a few things, filling a few gaps, giving people some advice and guidance.

It varies company to company according to where they are in their lifecycle, what it is they are trying to achieve at the time, what challenges they've got and all of those sorts of things. I find, in a strange way, they are all the same, but in another way they're all completely different! It depends on the business situation and the team you are working with.

## MAKING THE CASE FOR DIGITAL TRANSFORMATION

**Charles Newhouse is a Global Director of Consulting for BAE Applied Intelligence and has spent the majority of his career with the business, starting as an IT Director to running a major division within BAE. His clients include global enterprises with tens of thousands of employees, to advising teams on better delivery and strong operational improvements.**



Charles Newhouse

### How do you make a decision to cut spend but sustain efficiency and deliver desired outcomes?

Not all spend is equal. As a CIO and digital leader, you should be thinking about how the business can spend differently to achieve the best outcome for the level of investment you are willing to make. It is critical that you can operate first and foremost as an equal leader in the business. Your stock in trade may be technology, but you must engage in understanding the business problems and opportunities first before identifying how to invest or re-purpose investment to achieve the strategic goals of the organisation.

For me, the first step is always to help the business understand what it's doing. The majority of businesses don't adequately understand their business architecture and hence don't quantifiably understand if they are employing human capital and funds to the best effect. Business leaders are often wary of enterprise architecture, viewing it as an ivory tower.

Furthermore, if you're a small business you may feel that it is the preserve of large businesses; I disagree, as a small business, just doing a little bit can yield you a lot of benefit. An effective CIO needs to be able to succinctly explain to their leadership peers how they will deliver rapid and demonstrable value, whilst guiding its development to ensure just enough is done to be useful. I have always started by drawing a business capability model with colleagues; what are all of the different things that your business needs to do? For example manage your

customers manage your business operations, manage service/product delivery and manage delivery of business support services. With this defined, you can create a set of 'acetate overlays' to the picture, identifying which capabilities deliver strategic differentiation and where capability gaps between the present and a desired future state exist. In most businesses this can be developed collaboratively and iteratively with leadership colleagues over the course of four weeks, delivering a valuable set of views of the business, telling you, where your spend is out of kilter with the value being delivered. It will also highlight areas where investment needs to be focussed to deliver improved performance.

In my experience, investment and spend can often be driven by the most powerful, eloquent or determined sponsor of the given venture, rather than because it is the best place to deploy resource. These modelling techniques are an excellent way to dispassionately tell you where to focus and where to cut back. However you do need to be aware that this approach can lead to friction challenging some sacred cows, revealing that some well-argued areas of investment are not actually the best places to invest. These will need to be handled carefully, making sure colleagues and peers come on the journey of discovery with you.

My advice for anyone taking this approach is to initially get your leadership colleagues over the hump of giving it a try. I recently worked with the

## digital insight

managing director of a business who immediately threw up walls when enterprise architecture was mentioned.

So I'd pitch it by offering to quickly build a dashboard of the business, showing how each business capability contributes to deliver the strategy and where you can easily see where you're missing an opportunity to re-align cost. Show them examples of what it will look like and how they can use it in decision making.

### **Digital Transformation has accelerated due to COVID, but that has been true for everyone, so how does digital now become the differentiator?**

For firms that had previously employed a cloud first zero trust networking model, day one of the first lockdown was just like any other day from a business technology operations perspective; your operational resilience was designed in from the ground up. For the rest, early in the year 2020 was a scramble to deliver infrastructure, capacity and new services. I often wonder how much worse the outcome would have been if this pandemic had happened ten years ago without the existence of hyperscale cloud service providers to step in and save the day.

In the recent past, many firms have been content to take a 'wait and see' approach to digital, waiting until there is a pressing need to transform, e.g. technology obsolescence, or until the path to take has become clear. However, the events of 2020 mean that many firms have both received a stimulus but also learned that taking an agile and iterative approach to business change can deliver effective results quickly. The societal impact of Coronavirus has become the impetus to rapidly accelerate the digital agenda for UK PLC's, an agenda that pre-Covid19 was still the largest category of spend with consulting firms in the United Kingdom, representing more than thirty percent for the eleven billion pound industry in 2019. This is likely to embolden many organisations to embrace technology change and

experiment with new digital business models faster in the future. In addition to this, large technology firms like Amazon and Microsoft are democratising their capability to make it easier to adopt, be it through citizen data science, zero code environments, serverless functions or end user deployable artificial intelligence and machine learning.

But don't mistake modernisation for transformation. I believe that this pandemic has inspired a huge wave of digital innovation that we will see arriving in the form of completely novel services 12-18 months from now. This will be focussed on delivering new digital first experiences, enabling and enhancing customer and colleague intimacy at a distance. If you're not laser focussed on seeking this new wave out, and fundamentally challenging how you engage, build intimacy and enrich the ways in which you collaborate, you may actually miss the real transformation opportunity.

The key concept here is that digital transformation isn't something you ever finish doing. Personally, I don't actually like the term digital transformation, I think it misleadingly conveys the notion of something you plan, execute and complete. I prefer the term digital evolution as it much more accurately describes how you need to think being digital as a journey and not a destination.

There is no simple answer to what your digital differentiators will be, but for me the first thing you have to get in place is your sensing network. You need to create a safe place to iteratively experiment with new technologies and platforms, finding out which approaches work. Providing a mechanism for staff to experiment and surface new ideas and ways of working will not only provide a good way of drawing on the distributed experiences of your workforce, but will provide a cheap and effective way of constantly evolving more effective ways to work and collaborate.



## digital insight

As a digital leader, your role is to act as a positive change agent, assembling nascent/outlier and newly adopted technologies to help shape the evolution of the business strategy, explaining how their use can serve the business vision. You must also assess whether already adopted technologies can be individually or collectively repurposed to support proposed business goals as part of each business strategy update cycle.

You must be engaged in understanding emerging technologies to determine their maturity, external adoption levels, cost complexity and the ideal point of adoption by your organisation. Look for the inflection points where a technology could start to have a profound effect on how our business currently operates or how it might change the operating dynamics of your whole industry or sector. You must also consider whether technology is being looked at to unwittingly hide inefficient behaviour within a business operating model or function, and what the role of technology could be in fundamentally changing the dynamics of the business operating model.

### **What skills / traits / learnings do digital leaders need to become successful?**

There are many things a CIO and digital leader needs to do to be successful, and to an extent they will vary depending on the organisation, its industry and the digital fluency of the business. However, the following are a few that I believe are universal:

#### **Focus on enhancing your business relationships.**

Make sure you have a clear understanding of the business mechanics as well as how you deliver value to your customers. You must engage with the same perspective that leadership peers think about the business;

they will only be interested in technology that helps them achieve their business outcomes and will be wary of anyone who engages them as a technologist first.

#### **Build your business situational awareness**

Understand the map of how your business delivers value to your customers and where the building blocks in that value chain sit in the evolution spectrum of genesis to utility. This will help you invest wisely, techniques like Wardley Mapping will help you build the required picture.

#### **Understand your enterprise architecture**

You will have to react to change more quickly in the future, you will increasingly no longer have the luxury of lots of time to plan change.

#### **Build your sensing network**

Find a way to accommodate and embrace experimentation, try things out and provide a mechanism to adopt the things that work. Keep looking forwards, the market and technology landscape will never stop moving and nor should you.

#### **Digital evolution not transformation**

Change the narrative in your business. Digital isn't a destination it's a journey. Try to move to delivering change more incrementally and break away from large transformation programmes; you'll deliver more benefit quicker and reduce wasted effort.

#### **Don't mistake modernisation for transformation**

Business modernisation can deliver operational efficiency, but not understanding how your markets are moving can leave you obsolete in the eyes of your customers.

## culture insight

# CONSCIOUSLY CREATING A CULTURE IS ESSENTIAL TO SUCCESS



**Roderic Yapp is an accredited coach and is part of the Sheffield Haworth Talent Development and Advisory team. He is a specialist in developing leadership skills and is a former Royal Marines Officer. After leaving the Armed Forces he decided to use his experience to develop people and help change organisational culture. Roderic has since worked with people from a multitude of sectors, in Professional Services, Retail, Banking as well as the NHS and UK public companies.**

In 1997, Reed Hastings sold his software company Pure Atria to the Rational Software Corporation for \$700m. One morning during his daily commute with his Marketing VP, Marc Randolph, he complained about the \$40 late return fee that he was charged by Blockbuster for the late return of Apollo 13 which he'd watched over the weekend. This mild irritation led to an idea which led to the creation of Netflix which is now worth in the region of \$200bn.

When most people think of Netflix, they think of a company that is both digital and highly creative but that's not how it started. Netflix started as a DVD via mail business. Customers could rent DVDs via mail for a flat-fee with unlimited rentals, without due dates, late-fees, or shipping costs. They started as a logistics company and gradually evolved their business model into the one we know today.

This is one of the most remarkable organisational transformations ever undertaken yet few people give it the attention it deserves because the company 'evolved as it grew'. The majority of transformation case studies focus on organisations like Semco Partners or Chrysler in the 1980s, companies saved from the brink of extinction by an inspiring visionary leader.

The Netflix story is less dramatic, but arguably more impressive because the company's success and its ability to transform has been built into a

carefully created culture which shapes all decision-making in the organisation.

They call it 'Freedom and Responsibility'.

Netflix empowers its employees with exceptionally high levels of autonomy and freedom. But the flipside of the freedom is a responsibility to act in the company's best interests.

The policy for travel, entertainment, gifts and other expenses is five words long: 'Act in Netflix's best interest'. The holiday policy is 'take holiday'. There are no rules around how many weeks per year. Leaders make sure they take time-off returning with fresh ideas and solutions to problems that benefit the organisation in the long-term. They're not prescriptive about how much holiday you should take or how much you should spend on travel.

Netflix have a core philosophy of 'people over process'. They are aware that as an organisation grows, processes get created which can slow the pace of execution and get in the way. Consider your own organisation for a moment, there are probably plenty of processes which are helpful but many which frustrate you too.

Many people want high levels of freedom but few are willing to accept the high levels of responsibility that comes with it. Netflix actively

## culture insight

recruits people who want both and are willing to let go those who are not right for the organisation. They apply a process known as the 'keeper test'. Managers are expected to constantly ask themselves if they would fight to keep an employee. If the answer is 'no', then the employee is let go. In Netflix's view, 'adequate performance gets a generous severance package'.

Hastings is unapologetic about this approach. 'You gotta earn your job every year at Netflix... there is no question it's a tough place... there's no question it is not for everyone'.

But this is a theme that you find in high performing organisations and teams. They're very clear on who they want and the behaviours expected of their people. Hastings' mantra of 'earn your job every year' is similar to another high performing organisation, the Royal Marines.

The Regimental Sergeant Major at the Commando Training Centre regularly tweets images and videos of Recruits in training under the hashtag EDEYB (every day earn your beret) reminding current and former Marines of the dangers of complacency. You have to earn your Green Beret and your right to call yourself a Royal Marines Commando every single day by the way you act and behave.

### Behaviour, Values, Culture.

Netflix understand the importance of real values. Most firms have nice sounding corporate values such as respect, service and excellence but the reality is that they don't live and breathe in the organisation. They don't shape the way people think and act. Netflix argue that the real values of a firm are shown by who gets rewarded or let go.<sup>[1]</sup>

Consider for a moment 'what are the behaviours and outcomes that lead to a promotion in my

organisation?' Then ask yourself, 'what's the flipside of those behaviours? What are the unintended consequences of promoting these people?'

We've worked with a number of organisations that have a very strong sales culture. Their leaders are people who have successfully demonstrated a track record of revenue generation. Often these people are financially motivated, and laser focused – no bad thing – but often where they struggle is their ability to collaborate and work with other teams towards a common goal.

How do you want people to behave? What context do you want them to have at the front of their mind when making decisions?

These are the sort of questions that people ask when they're seeking to create a high performing organisation.

You can't build a high performing team with low performing people. Netflix have taken time to carefully consider who they want, and what sort of environment they want them to operate in. The Royal Marines operate the same way; who do we want and how do we want them to behave?

High performing teams and organisations are not created by accident. They are consciously built by asking 'who do we want and how do we want them to behave?' The answers to these questions become the culture – and your culture is what delivers your performance.

[1] <https://jobs.netflix.com/culture>