

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.

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“ **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.

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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.