

# How to be at the Leading Edge in Enterprise Software

Lessons in transformational leadership from John Appleby  
**CEO OF AVANTRA**



**When John Appleby became Chief Executive Officer of automated SAP Ops platform Avantra, it was an IT services company with a different name and John had never been a CEO before. Now, Avantra is a SaaS company and John has the air of a seasoned pro:**

"I was talking recently with an analyst at the one of the banks that I've known for a while, and he said, 'My God, you're talking like a CEO!' Well, that's just how it is. You have to learn the language of investors, and there's no one else in the company who thinks the way you have to."

Since becoming CEO in February 2020, John has led Avantra through a rebrand which involved not just a change of name, but an evolution from services to software. He's built a scalable and repeatable B2B sales process, learned how to build more effective leadership teams, and found out how much he loves software.

An odd admission from a person who worked in senior roles at SAP for several years, but John insists that steering Avantra through its transformation to a SaaS company opened his eyes. "I was a software exec at SAP, so I did have some idea of it, but I'm not sure I'd fully understood," he confesses.

"In a software business, you need to focus on having a great product, a secure product, a product that customers are excited to have," he adds. "But that then scales and the same product will work for many customers. In services, once people are assigned to a project or a customer, they're gone, they're consumed. And so, from a personal perspective, the shift to software was surprisingly fresh to me and I can't imagine going back now."

## Successful strategy should be simple

What were the key strategies that contributed to Avantra's success? When asked, John doesn't miss a beat:

"Strategies are simple when done well, so there are three simple things we've done that are important," he says, before going on to list them as: having a

differentiated product with a clear benefit to customers; investing heavily in the customer experience to optimise customer satisfaction and retention; and having an effective "go-to-market machine".

And the key milestones in Avantra's success? Again, John lists three. The first was to complete the shift from providing services to becoming a Software-as-a-Service (SaaS) product with recurring revenues. The second was to change the brand. "Not a decision you should take lightly," John says, "but it was really important to us to come up with something that helped communicate our new direction and who we were, as well as being easy to remember."

The third key milestone was putting a smaller, leaner executive team in place. "That's something we didn't get right in the first iteration. We had too many people, we reduced it, and I think it works much better as a smaller team," John says.

## Key challenges of moving from services to software

When asked what the key challenges had been when moving from a services business to a SaaS business, John's answer is surprising. Bringing people along for the change wasn't too big a deal, in his view. Out of the dozen managed services employees at the company, some were passionate about services and went to work for other services businesses "which are generally customers of ours". Several stayed on to take new roles at Avantra, which would leverage their valuable experience – particularly the newly-created roles of SAP Engineering, "the people who create the use cases and work with the development team", and Customer Services Manager, "our lead individual in a customer to help them deploy, expand, etc."

In short, from a people perspective, the move "worked pretty well," John says. For him, a far bigger challenge was that of setting up a net new business sales machine. >>

"That's probably been the hardest thing – especially for a product which is deep tech. The people that use our product don't have budget. So you've really got to understand the different stakeholders and we've now done that and it's great. And we have a machine for that," he adds.

### **The pros and cons of becoming a CEO for the first time**

Becoming a CEO for the first time can be a daunting prospect for anyone, even though, as John says, he'd already been a senior executive at SAP for two years prior to taking the role. But being a CEO is different. You have to think differently, and you can't always confide in your team.

"Part of the job of CEO is to be a year ahead of where everyone else is thinking from a strategy perspective and then you have to help them understand where the business is going," he says. "So you have to be thinking about things that you can't talk to other execs about in the business because it impacts them."

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While CEOs often turn to non-exec directors, mentors, or even their partners to help relieve this pressure, it can still be lonely, John adds.

The second big challenge of becoming a CEO for the first time is learning the language of investors: "You're thinking recurring revenue, EBITDA, cashflow. You're thinking valuation metrics and that's where you live your life. And no other exec in the business lives their life that way. The CEO's thinking about all of those things across the business and how they communicate with investors. And as a first time CEO, I didn't have any of that language or that experience. You have to learn that and be fluent when talking to investors and talking to the board. There isn't a school for it."

### **How to be successful in the US market**

In 2016, John moved from the UK to the US. While this was partly for personal reasons, he was also frustrated

with the UK SAP market and craved a more dynamic environment:

"The UK enterprise software market is very conservative. They tend to follow rather than lead. I wanted to do innovative things. I wanted to be on the leading edge. We had this this new SAP product, SAP HANA and they weren't deploying it in the UK, so there was an opportunity to build a business there. And Rob Enslin – now CEO at UiPath, but at that time the President of SAP – said can you please come to the US and build a practice."

That invitation was all John needed to make his move, and over the last few years, he's learned a lot about what it takes to succeed in the US market. As he puts it:

"As a Brit, you tend to think of America as being homogeneous and you tend to think of Americans as being pretty unsubtle. And that's all wrong. It's extremely heterogeneous, and Americans are extremely subtle, much more subtle, by the way, than English people. Even though they appear brash, they're extremely subtle and in many cases sensitive."

The culture in Boston is different to New York, he adds, and both are very different to DC, San Francisco, Dallas, or Chicago. "You need to behave differently, wear different things, and be culturally sensitive in all these places. Because they're not the same."

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He also points out that the difference in hiring practices makes the talent market difficult to navigate for outsiders. "People expect to be treated differently there than they would in Europe, for example. All the benefits that you get in EMEA, they don't exist. If you try and treat them in a European way, they hate it. You have to be open to that."

When SAP opened its US business, one of the best things they did was to make it an American business. "SAP America looks and feels like a US software business. You don't feel like you're working for a European company, and that was key," John says. "Because, you know, a lot of people have tried to do that and they fail." >>

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## *The US is significantly more business metric-centric*

When trying to make a sale in the US, the business case has to come first before the technology, John explains. This is different to other markets – Germany, for example – where buyers will tend to go through a checklist of features they want the product to have. “In the US, it’s significantly more business metric-centric. You sell the business case first, features second.”

In the early days of building the SAP business in the US, it was important for John to be physically present in the country, he believes, “because it was easier for me to get to the customers and see them and look them in the eye.” At the same time, “I’m generalising, but Americans love supporting the underdog. So if you can convince them that you’ve got good product and that they can trust you, they’ll buy from a smaller vendor.”

### **How to keep existing customers happy when scaling**

As any experienced SaaS executive knows, selling the product is one thing, but keeping those customers happy and retaining them while also having to focus on growth can be tricky. Does John have any tips for this?

The first point he makes is how seriously he takes it: “Customer retention in software is so important. If you can get into the high 90s of gross revenue retention, growing the business becomes so much easier.”

### **But how does he do that at Avantra?**

“We manage our JIRA backlog really carefully at the engineering level. We then feed that in through product managers that talk to the customers.”

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Avantra also has an internal ideas website for customers to submit new ideas, “and then we’ve got the customer service managers that hand hold the customers on the implementation. And if there are any things that need to be done then they can help get involved.”

Focusing on retention is an investment that every CEO should make, John insists, while the customer officer responsible for retention or customer relationships “should be at the leadership table – because you need to hear those customer stories, to hear the truth from the customer perspective.”

He adds: “Every software has problems. That’s a given. The question is, how do you deal with those problems and how do people feel once the problem has been resolved?”

### **Evolving a product while growing**

One of the ways to help keep customers happy is to keep evolving the product in line with their feedback. Avantra has only recently got to the point where it can start to do this, as John explains that they’ve been evolving the product according to an internal vision.

This includes going from an SAP monitoring product to one which automates and manages the entire SAP environment, thereby eliminating the need to employ people doing repetitive low-value tasks. It would also help deal with the problem that more skilled SAP technicians are retiring each year and not being replaced.

Avantra has also invested hugely into beefing up cyber security. As John explains: “We put in product management processes, code review processes. We scaled the engineering team. We really professionalised that department from a three out of 10 to a 10 out of 10. Are we perfect? No – but we’re constantly reviewing it, conducting PEN tests, and we’re ISO 27001 compliant. You don’t get complacent when it comes to security!”

### **Biggest financial challenges of scaling**

As a growing private equity-backed software company, Avantra has its share of financial challenges. Although John is clear that their key investor Synova has always been “very supportive”, more small business “are killed by cashflow problems than anything else.”

The result is that he and his team are “always thinking” about cashflow, profitability, and revenue growth. “We focus on a small number of key priorities and not a ton >>

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of things," he says, citing the example of 2022 being all about investing in the company's go-to-market strategy.

### Opportunities and challenges ahead

When it comes to the challenges and opportunities that lie ahead for Avantra, John talks about them very much as if they're two sides of the same coin. Their product is available globally now, but their main markets are the English-speaking markets of the US and UK, and the German-speaking markets of Germany, Austria, and Switzerland. As the company expands into outbound sales in other markets, localisation will become more important.

"You have to have a localised presence, product, and go-to-market strategy and infrastructure," John says. "It's difficult and time consuming but something we will inevitably need to do to grow the business internationally."

Effective communication is more challenging now that Avantra has grown to more than 70 employees, but perhaps the most important and challenging opportunity is on the product side:

"I've got a vision to round out what we're doing from an automation perspective. We've got continued scenarios to do there and then to take it up into the business process layer so that SAP leaders can see the health of the business process."

Ultimately, he says, "My goal is to take industry-aligned best practices and processes and be able to support them end to end in a really valuable way and then avoid the kind of downtime that costs really serious money."