

Technology Sector MD Insights

The opportunities and the challenges of the crisis
How is it affecting our businesses?



ODGERS BERNDTSON



INTRODUCTION

The current global crisis has catapulted the use of technology to centre stage for businesses of all sizes. Customers are adapting to new working environments, still grappling with innovations in work style, data, AI, supply chains and massive changes in the medical field. Conditions and predictions for the future vary widely across countries and from company to company. All, however, acknowledge the centrality of technology to the future of work and life in general.

Technology companies have had to adapt quickly in the last six months. Never has it been more important to be closer to your customer and the nuances of this vary greatly from one country to the next. We asked 50 country, regional and global Managing Directors of Software & Services companies about the last six months' experiences in Australia and New Zealand.

In this paper, we explore:

1. How customer buying behaviours and decision-making processes have changed
2. How to maintain, motivate and grow a sales culture in a non-office environment
3. The role of local leadership in defining the new office environment
4. The biggest challenges to remote working and how to overcome them
5. Managing team and individual performance remotely
6. How the diversity debate has evolved



LET'S START WITH THE CUSTOMER

KEY TRENDS:

- Government decision-making is quicker than ever, whilst financial services companies are making decisions **slower** when buying and implementing technology solutions.
- ASX 100 companies are surging ahead with all areas of digital transformation.
- We see retail and consumer innovation – finally!
- The SME segment is putting most technology procurement decisions on hold.

Almost every person we spoke to acknowledged that customer behaviour and their decision making process for technology purchases has changed significantly since the restrictions were introduced in mid-March. In particular, government has been making decisions far more quickly than before, especially where the technology or services have facilitated a response to the pandemic.

When it comes to dealing with state and government departments, we saw that trusted relationships and a strong track record have given certain companies the edge. Government departments turned to the organisations they trusted most, using them for 'Jobkeeper' and 'Jobseeker' platforms, and to enhance secure and productive work-from-home environments. Large digital programmes and projects have been signed off and rolled out more quickly than ever before.

Interestingly, nearly half of all leaders interviewed felt that the reverse was true in the financial services sector. While nearly all programmes are still going ahead in the larger financial services institutions, decision making seems to be slower than before, with more levels of scrutiny prior to procurement.

It was acknowledged that this is possibly due to the shadow of the Royal Commission and its ongoing findings, rather than a pandemic-related trend.

For most, decisions have been deferred and projects cancelled in the small and medium enterprise customer segment. For smaller businesses, discretionary spend has meant that large or medium technology procurement decisions have been put on hold.

Retail and consumer companies have been embracing innovation. Faced with 'fight or flight', many have been using this quieter trading period as an opportunity to innovate their multi-channel platforms, supply chains, buying processes and customer experience.

Finally, the most affected sectors – higher education, travel, tourism and hospitality – have drastically reduced all discretionary spend.

WE HAD OUR BEST EVER QUARTER IN APRIL-JUNE DUE TO THE RELATIONSHIPS AND TRUST WE HAVE WITH FEDERAL GOVERNMENT, WHICH ENABLED US TO HELP THEM REACT TO THE CRISIS AS QUICKLY AS POSSIBLE.

FINANCIAL SERVICES CUSTOMERS SEEM TO HAVE INTRODUCED 'COVID PROCESSES', WHERE PROCUREMENT CAN TAKE AN ADDITIONAL TWO TO FOUR WEEKS. THIS IS ALSO IN PART DUE TO THE ROYAL COMMISSION AND A VERY RISK-AVERSE APPROACH TO DEALING WITH SUPPLIERS.

SALES CYCLES OF LARGE DEALS WITH BIG CUSTOMERS ARE HAPPENING IN HALF THE TIME. IN SOME SMALLER COMPANIES, THE SALES CYCLE USED TO BE 30 DAYS. NOW IT'S THE SAME DAY!

BOARDS WHICH ARE NATURALLY UNCLEAR ON WHAT THE FUTURE HOLDS ARE TAKING 2-3 MEETINGS TO MAKE DECISIONS THEY WOULD HAVE MADE IN ONE MEETING PRE COVID.





SALES ACTIVITY WITH NO FACE-TO-FACE INTERACTION – THE DRAWBACKS

KEY TRENDS:

- By far the biggest challenge is developing new relationships and new pipeline remotely.
- Learning from others, on-boarding new employees, sharing ideas and ideation are also significant challenges to the new environment.
- Most leaders have observed a gradual but steady deterioration in team culture.
- Motivation has increasingly become an issue which leaders are having to address.

Unsurprisingly, sales teams have been slow to adapt to building new relationships and opening up brand new customer accounts. Those who have been successful at this tend to work for tech companies where the product and solution is relevant to immediate needs – cyber, collaboration, remote working, monitoring tools, etc.

Where tech companies have continued to hire, team culture has been difficult to maintain. Interestingly, on-boarding is deemed more effective and efficient when conducted remotely. In the remote setting, both guide and new recruit seem to focus better on the task at hand and the new employee has more time to digest and learn the materials.

The reality, however, is that once training has been completed, it is now much harder to get to know new colleagues in any real depth via Zoom. Building relationship with new customers is harder, too.

20%

of respondents have already seen a drop in new pipeline of between

20-40%

AGAINST EXPECTATIONS

“Acquiring new clients. We haven't cracked the code on cold call discussions with people we don't know. A 30-minute Zoom meeting is *never* as effective as a face-to-face meeting.”

“People don't hear ‘what's going on’. No learning by osmosis or spontaneous conversations. The best desk is often the one next to the kitchen in the old office environment.”

“We aren't celebrating success in the same way, Which makes it more difficult to feel like you are part of a brilliant team.”

“Sales people like human interaction. I think we will hear a lot more about the negative impacts in the coming months.”

“I can already see early signs of webinar burn out.”

“We thrive on human contact. Face-to-face is always preferable in sales. It's more authentic too.”

83%

of respondents expected generation of new pipeline to become more challenging the longer remote working was
ENFORCED OR ENCOURAGED



DEATH OF THE 'HERO LEADER'?

KEY TRENDS:

- 'Old school' leadership styles within the tech sector are no longer effective.
- Leading with empathy and building common purpose is more important and effective than ever.

For some time, leadership styles and focus have been shifting in the technology sector. The 'old school' or 'hero leader' approach of shouting, banging tables and demanding daily forecasts has long gone. The current environment has accentuated the effectiveness of leaders who focus on team, culture, lead indicators and customer centricity. Strong sales discipline, coupled with trust and empowerment, have risen to the fore in terms of overall performance.

I have communicated a lot more frequently and listened more attentively. My teams feel they have more of a voice to express concern or even share ideas. This ultimately has brought us closer together even though we are further apart!

MENTAL HEALTH NOW A WELCOME DISCUSSION

Empathy and understanding of fellow team members has become far more of a focus. Every leader interviewed said that mental health had been a more talked-about topic in the last six months than ever before. It is widely felt that bringing this formerly taboo topic into day-to-day conversations has been long overdue and tremendously helpful for those who are challenged by it.



In almost all companies, we now see confidential external support, more regular and explicit internal ‘check ins’, buddy systems and broader support groups. Alongside this, companies are putting out guidelines and hosting discussions on how to avoid ‘Zoom fatigue’ and how to keep boundaries between work and home life. An interesting trend is that most companies are now encouraging their staff to engage in ‘walking meetings’ wherever possible and appropriate, rather than expecting all meetings to be conducted via sedentary video conferencing.

We have seminars, support groups and other services to focus on mental health. We have introduced counselling services-in every language.

External experts and thought leaders are being called upon to conduct sessions on how to ‘get yourself into the right space/place’ to be effective.

Whilst we all pivoted quickly, it could lead to burnout. You can still have camaraderie remotely, but this will inevitably wear off over time. The current environment is not sustainable-and people are working longer hours.



SO, CAN SELLING STILL BE DONE EFFECTIVELY REMOTELY?

KEY TRENDS:

- Generating new pipeline and executing full sales cycles is now being done virtually.
- Companies are finding creative ways to make remote working really work.
- We are all still in the 'learning' stage, with many tech companies experimenting with new ways to engage customers and prospects.
- Many leaders noted that it is easier to get meetings with more senior decision-makers than before. They are more accessible and want to hear directly from the vendors rather than through their teams.
- Hybrid models of remote and in-person selling are beginning to emerge and are far more effective than the 'old style' of everyone having to be in the same room to show commitment.

The short answer is that yes, selling can be conducted effectively remotely. Technology companies' sales teams have an important message and value proposition to take to customers and prospects, who want and need to hear about options to innovate and adapt.

INTRODUCING THE HYBRID MODEL OF EFFECTIVE CUSTOMER INTERACTIONS

Global or regional subject matter experts joining the local team virtually for product demos and pitches isn't new. But such meetings have always been the exception, or not quite acceptable or deemed not as acceptable. Now, it is not only fully accepted, but seen as the most effective way of team selling in global organisations. Similarly, senior executives joining key meetings virtually is now deemed 'normal'. In fact, almost all the country MDs interviewed said that the number of customer meetings has increased, without long, inefficient days spent traveling interstate or internationally to attend the 'key meeting to help close the deal'.

Some companies are putting a lot of thought into how to run remote customer meetings effectively. Some examples include;

1. Think about body language and how to **communicate with colleagues** during the virtual meeting. Leaning towards the camera can indicate a desire to talk, without speaking over a colleague. Leaning back is an indication that your colleague is doing well.

2. The ability to talk to each other via text or 'chat' in Zoom meetings can offer distinct advantages over in-person meetings. Planning for different scenarios and adapting in real time can shorten the number of meetings needed before a decision is made by the customer.

3. Embracing technology that allows for 'whiteboarding' and making the virtual meeting more interactive is also becoming more popular.

We have a long way to go before virtual meetings are as effective as in person sales meetings—but my goodness, we have come a long way in closing the gap over the past six months!

We are seeing a more human side of our customers. They are going through the same crisis, the same lockdowns and restrictions as we are. We are all in this together.



IS 'RETURN TO OFFICE' A PRIORITY AND CAN WE INFLUENCE THIS LOCALLY?

KEY TRENDS:

- Nearly all multinational companies have global 'return-to-office' teams, usually located at HQ.
- Policy varies on whether local leadership can influence return-to-office time frames.
- Views still vary widely on whether a return to office should be a priority.

Here we saw very little agreement or certainty. Most leaders are quite unsure about the future role of the office in their day-to-day operations. All recognise that the office will remain important, but probably won't be used in the same way it once was. Two days a week, three days a week and 'hot desking' were all cited as possible variations on the return to office format.

There does seem to be a new appreciation of the office environment and the relationships that are fostered by simply being together. Culture, learning, ideation, innovation, inclusiveness, morale and overall productivity were cited as benefits of the office environment, especially for sales and other customer-facing team members.

However, most felt it was still too early to predict how our working lives would play out in the future.



We have a fully local policy, in line with government advice.

We have no local autonomy. We are told by global when we can/can't return to office. Global has to prepare each office against global standards. It's managed by HR and our global property team.

There is no global mandate. Each regional leader makes their own mind up based on government guidelines and employee sentiment – and, of course, business needs. Usage of offices will be different. I don't expect to be in the office again this year. But that is my decision.

We have been given local autonomy – but this didn't happen initially.



UNDERPERFORMERS VS UNDERPERFORMANCE DRAWING THE DISTINCTION

KEY TRENDS:

- Just over a third of leaders felt that a time of intense change and a focus on employee welfare had diluted the focus on performance management in the past six months.
- However, most felt they were still able to measure effectiveness and productivity in a remote environment.

For most, performance expectations have remained constant. Most leaders feel that their teams understand that it is important to set expectations around 'lead indicators', including daily or weekly activity type, customer interaction, number of opportunities, size and velocity of pipeline, etc.

Most leaders also encourage collaboration and said that where the right team culture prevails, there is automatic self-regulation of non-performers.

Many leaders admitted that their organisations had struggled in getting the ‘empathy’ vs ‘accountability’ balance right. Generally speaking, if people weren’t right for the organisation before the crisis, their unsuitability for positions was even more apparent now.

Interestingly, many leaders talked about a drop in the performance of some people who were top performers in the ‘old world’. In all cases, spending time with these individuals to work out how they could be supported to get back to previous levels was considered worthwhile.

HEADCOUNT IS STILL THE MAIN LEVER FOR DRIVING REVENUE

42%

OF RESPONDENTS SAY THEY ARE LOOKING TO INCREASE THEIR HEADCOUNT IN THE NEXT SIX MONTHS

7% SAYING THEY WILL SIGNIFICANTLY INCREASE HEADCOUNT.

“People are in ‘self-maintain’ mode and doing desperate things, such as escalating issues to HR, emails to the global CEO, etc., to complain about current conditions.”

“The team will call out the leader if he/she is not performing.”

“Getting customers’ attention is more difficult than ever. The more dynamic, proactive employees stand out more, so therefore mediocre people also stand out.”

“There has been a subjective tolerance to underperformance as it is even more harsh to let people go when they have very little chance of getting another job in the current climate.”



HAS THE DIVERSITY DEBATE CONTINUED TO EVOLVE?

KEY TRENDS:

- Gender is still by far the most talked about area of diversity.
- The Black Lives Matter movement has had an impact on companies which are now also starting to explore ethnicity and other areas of diversity in a more action orientated way.

All leaders recognised the value of diversity across all levels. However, the focus of diversity is still predominantly on gender.

As a corollary to greater gender diversity, related topics such as inclusion, psychological safety and sense of belonging are front of mind in all cases. It was felt that a proper recognition of these aspects allowed for a more diverse and dynamic workforce, enabling people to feel comfortable and to be themselves at work, which generally reaps benefits.



Some companies are beginning to embrace and formalise greater age diversity. Efforts are being aimed at a younger workforce through graduate programmes and, in some cases, companies are specifically targeting their hiring at under 30 years olds.

Increasingly, we are seeing the value of focussing on a younger workforce. Our graduate programme is helping with this.

The reality is that gender is still the most important area we look at with diversity.

The BLM debate is new and important. But to many in Australia it still feels awkward – we don't really know how to address it.



AND FINALLY – THE BEST IDEAS ON MAINTAINING CULTURE AND MOTIVATION WITH A REMOTE SALES TEAM.

KEY TRENDS:

- All leaders acknowledged that culture and motivation had been eroding for some time and needs to be addressed.
- Mental health is an area that all leaders are more aware of and are attempting to manage proactively.
- A variety of fun and more business-orientated initiatives have been rolled out and tested to help maintain a motivated team.

90%

OF LEADERS IN THE TECHNOLOGY SECTOR SAID THAT MORALE ACROSS TEAMS HAD DROPPED THE LONGER REMOTE WORKING HAD BEEN IN PLACE. ALL LEADERS SAID THAT THEY NOW FOCUSED FAR MORE ON STAFF MOTIVATION INITIATIVES.



CHECK IN MORE OFTEN THAN YOU THINK IS NECESSARY

Engage in regular check-ins and keep them regular! In some cases, leaders were checking in with teams, whether online or in person, three times a week. Discussions during these get-togethers covered a range of business and non-business topics. For bigger businesses, the regular check-in is done by respective team leaders, with bigger, 'all-of-company' updates from the country MD. More regular communication from global leadership is also well received.

MAKE SURE YOUR STAFF ARE SET UP TO WORK FROM HOME

Some companies have given all staff a budget to set themselves up from home. Interestingly, in one example, no budget was given at all – but not a single employee had abused the trust and ordered excessive or top-of-the-range home office equipment.

MORE PROACTIVE AND EXPLICIT FOCUS ON MENTAL HEALTH

All leaders acknowledged that mental health challenges are far more prevalent than before. There is a clear need to help employees adapt over the long term, through a variety of approaches. Both formal and informal support groups, and access to confidential external expertise, has become a necessity to ensure the longevity of teams and their performance. External speakers on topics related to mental health, stress, time management, mindfulness, etc., are also well received and becoming more common.

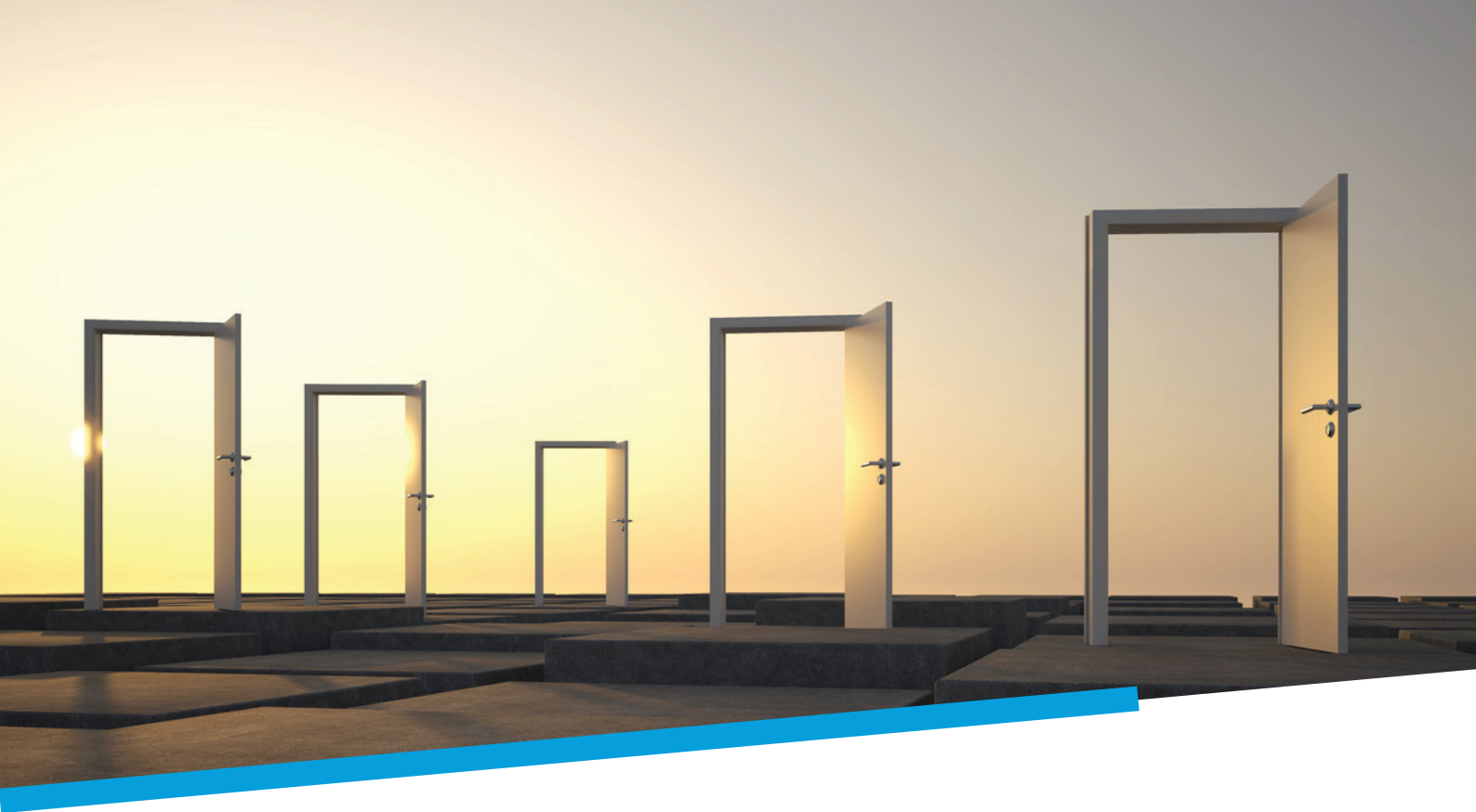
DON'T ALWAYS MAKE IT ABOUT BUSINESS

The trauma and isolation of lockdowns and shifts in how we work have made team-building events more important than ever. Companies have been creative in how they do this, with events having evolved from virtual team drinks, to trivia get-togethers and more. Companies are bringing in external professional entertainers such as comedians, motivational speakers, wine tasting experts (with wine delivered to employees, Home, before the event) and, in one case, a bingo caller dressed in drag! If budget is no constraint, you might even ask an international sports star or musician to speak to all employees, as some of the larger tech companies are doing.

LOOK AT YOUR OVERALL BENEFITS TO SEE IF THEY ARE STILL FIT FOR PURPOSE

Some companies have introduced 'Covid-19 leave' for people directly affected by the pandemic. Some companies have reduced quotas in acknowledgement of the challenging environment. There have been instances of a once-off payment in addition to the home office equipment allowance. Finally, specifically in Australia, some companies offer the option of buying people's annual leave for those who don't want to use it and have lots of leave accrued.





THE LAST WORD – WHAT ARE WE SEEING?

TECH SECTOR BEARING UP WELL – BUT WITH INCREASING CAUTION ON FUTURE REVENUE GROWTH

It is clear that the technology sector is benefitting from the rapid digital transformation occurring in companies, particularly in pockets such as cyber, collaboration, and communication technology. In general, the sector is bearing up well and has not been impacted to the same degree as other sectors. However, we are seeing increasing caution and some concern about the ability of Australia and New Zealand customers across all sectors and segments to maintain or increase spend levels into next year.

NEW LEADERSHIP FOCUS AND STYLE EMERGING

In the technology sales sector, where quarterly results are often top of the daily agenda, the effectiveness and the relevance of the 'hero leader' has historically been quite common. The move to a more purpose-driven approach and a greater focus on areas such as empathy, motivation and team morale has been accelerated by the current environment. This has challenged some leaders, whilst others have thrived, winning the hearts and minds of those around them. This drives loyalty, job satisfaction and ultimately results through improved productivity and customer interaction.



IT'S OK NOT TO HAVE ALL THE ANSWERS-DON'T PRETEND

Leaders have always felt it is part of their role to know all the answers, whatever the situation. We hear a lot about this crisis being 'unprecedented'. We are all still learning about what will and will not change over the long term. There have been some unexpected positives; news features have reported how productive everyone is working from home, how much more exercise we are all doing, how much more family time we have and how well we now know our colleagues, having seen their homes, children and pets on Zoom calls. However, there have been serious negatives, too, especially as lockdowns progressed; we now read about 'Zoom fatigue', mental health issues, domestic violence and erosion of culture. We hear about a lack of learning, a drop in innovation and a reduced sense of belonging. All of these aspects call upon technology to meet new needs and sales teams to build relationships despite obvious obstacles.

STRONG LOCAL RELATIONSHIPS ARE CRITICAL - WHATEVER TECHNOLOGY YOU ARE SELLING

With record GDP decline in all major economies, there will inevitably be an impact on the revenues and growth of the technology sector. There will simply be less spending on everything, including technology. For a while, the pie will get smaller. The relevance of your solution remains critical, but equally important is the differentiation achieved by serving your customers at a level the competition cannot match. It's all about people!

THE AUTHORS



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Tim Sleep is the Managing Director for the Australia and New Zealand business. In addition to Board and CEO roles, he specialises in the technology and professional services sectors, helping build exceptional non executive and executive leadership teams. With over 25 years' experience in senior executive roles across retail, IT and professional services, Tim is well positioned to understand the characteristics, attributes and skills exceptional leaders require to excel in today's business environment.

Tim has a BA (Hons) degree from Loughborough University and sits on the Regional Council for RedKite, an Australian charity that supports children and young people with cancer.



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Sean is a Partner at Odgers Berndtson and leads the Technology & IT Services Practice for Australia and New Zealand. He leads the execution of assignments at the Country leadership level for Software Vendors and has worked extensively building executive leadership teams for System Integrators, Digital Platforms, and Telecommunications companies.

Sean has over 20 years' experience in executive search, during which time he worked for the largest multinational firms and set up his own boutique which specialised in the technology and telco sectors before being bought by another firm. His early career was spent in Key Account Management working for global brands such as Gossard, Jockey and Lyle & Scott. As an accomplished sportsman, Sean has played representative rugby union. Sean was born and initially raised in Jamaica, attended school in Pakistan, later moved to the UK and eventually emigrated to Australia. He holds a BA (Hons) in Human Physiology from Birmingham University.

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