

*Product, people and  
private money*

Our trends for 2019

## MANNIE GILL: THE POWER OF PRIVATE MONEY

The key trend we have witnessed in 2018 is the continued activity in Growth and PE funding, with many companies electing to take private financing rather than go public. In the old days, to raise \$150M meant an IPO; but with the establishment of mega funds like Softbank's \$100bn Vision Fund, companies no longer need to tap the capital markets. Hyper growth companies also know that access to this private financing comes with many benefits.

As McKinsey wrote in 2016, *'These include allowing companies to focus on long-term strategy rather than short-term quarterly earnings, retaining the competitive advantage that comes from not disclosing business details, minimizing the time and resources that management spends on shareholder-facing activities, and*

*protecting companies from activist investors and hostile takeovers.'*

Uber and others have also shown that, B2B or B2C, tech firms can achieve dramatic scale without hitting the public markets. And when they then do, their job is a lot easier – which is why Spotify was able to engineer a direct listing with no investment bank assistance and no roadshows.

Analysts suggest that Spotify is an outlier, but the idea that a major brand can offer its own community market liquidity without the support of a bank is just the tip of the iceberg in tech's rewriting of the rulebook, funded by PE money looking for a home.

For talent, the effect is a continuation of software 'eating the world' – pressure for the best won't let up. However, US cities like Austin are giving San Francisco, New York and Seattle a run for their money, and similarly in Europe Paris and Dublin are snapping at London and Berlin's heels. Local politics is in upheaval in ways that are beyond prediction, but if anything this has loosened the tethers of some of the best talent. Our clients are growing into new geographies powered by PE funding and taking great teams with them.

### Mannie Gill

Founder & Partner. New York.



*In the old days, to raise \$150M meant an IPO; but with the establishment of mega funds like Softbank's \$100bn Vision Fund, companies no longer need to tap the capital markets.*



## TONY VARDY: DIVERSITY WINS

Perhaps one of the most challenging issues for the diversity agenda is... its diversity. It's hard to have a united voice when so many different organisations represent the interests of different minorities, many of whom have had dramatically divergent experiences, and for whom the workplace is just one of the forms of discrimination or disadvantage they may have experienced.

Similarly, different movements have achieved milestones at different times: groups like WISE and now Women On Board have campaigned to see more women in senior roles for decades; BAME groups are coalescing around board targets now; but targets based on gender or sexuality are not yet meaningfully on any agenda.

This piecemeal approach has had an interesting side effect for companies and the Executive Search professionals who support them. There has been a natural desire to solve the diversity problem with positive action: for example championing women on boards. After all, it's those targets that hit the headlines.

But you can't cater to every target with every placement; and with so many angles (race, disability, religion, age, sexuality, gender etc.) and a fluid list of concerns (for example, veganism is in the news as a basis for discrimination as I write), the positive action concept simply doesn't scale.

The solution is to stop following the numbers and start embedding a more productive and holistic approach into every stage of a Search.

It involves keeping cognitive bias front-of-mind, resetting preconceptions (for example the idea that a workplace is inaccessible, when in most cases creating accessibility is only a minor hurdle) and looking at a broader candidate pool. That broadening is a significant priority for talent managers, especially in Renovata's key tech sectors, where the right skills often cannot be found in traditional places. For example, in today's rapidly fragmenting workplace, many big firms are now abandoning the requirement for degree qualifications, and Renovata has often championed the 'step-up' candidate with great credentials and less direct experience. Fifteen years ago, it was typical to look for "A marketing chap, around 40" – today that would be a startling anachronism. The current talent squeeze will help make other forms of unconscious discrimination in the recruitment process just as much of an oddity.

### Tony Vardy

Senior Advisor. London.



*The positive action concept simply doesn't scale. The solution is to stop following the numbers and start embedding a more productive and holistic approach into every stage of a Search.*



## MICHAEL T. McDONNELL: ITS HOT IN THE NORDICS!

This is my first “look ahead” for Renovata in the Nordics – at this time last year, we had been here for less than a month, all of our stuff was in boxes and our two dogs looked confused...

The first thing that comes to mind as I write this is to say thank you! Thank you to our clients, my partners, our team and all of those who have supported us this year.

In January of 2018, we opened a new Stockholm office. We went from not knowing our way around, to learning this amazing city. It is incredibly alive and vibrant, with a technology ecosystem second to none, and an investment community to rival any other world-class market.

A great deal of our business in the Nordic countries now comes from new relationships, coupled with a portion from friends we have known well here for many years, and of course from Renovata’s existing relationships across Europe.

We’ve made new friends and become active in the tech and start-up ecosystem as well as the aforementioned investment community. Renovata is delighted to be a sponsor of [Stockholm’s Tech Meetups](#), Tyler Crowley’s monthly technology gathering for investors, entrepreneurs and anyone else interested in or connected to the technology ecosystem in Stockholm. We attended our second [SLUSH](#) conference and will be at the [Nordic Business Forum](#) and various other events next year, in addition to being a co-sponsor of [Stockholm Tech Week](#).

We have been very fortunate to be able to become immersed very quickly in the amazing tech culture of Stockholm and more broadly across the region. I say that because it’s key to both Renovata’s presence here in 2019 and also a general driver of consistent outperformance in the tech sector here.

The mature business, startup and investor communities here are closely connected and constantly looking for and creating the robust deal flow we see today.

This is not new to the region. Remember Nokia and Skype? Today, Scandinavia (and particularly Stockholm) is still churning out unicorns like Spotify, iZettle and Klarna.

## Michael T. McDonnell

Partner. Stockholm.



*The mature business, startup and investor communities here are closely connected and constantly looking for and creating the robust deal flow we see today.*



So, as one CEO asked me today, what about the year ahead? In short, More, More, More!...

## 01. Investors

World-class investors are here in force, i.e. Atomico and Index, the consistent performers also include Northzone, EQT, Creandum, Dawn Capital, Oxx, and many others. Funding here is still exceptionally strong.

## 02. Sectors

It's harder to discern sector trends – Scandinavia is maybe a touch more consumer-focused than B2B - but the hottest sectors here match those elsewhere: fintech, media, (all with lots more data AI and Machine Learning), and a particularly flourishing MedTech scene.

## 03. Ventures

Companies to watch (some are Renovata clients) include:

- Pleo (fintech, expense reporting)
- Gelato (SaaS printing, disrupting an industry)
- NA-KD (fast fashion)
- Kry (medical care by video)
- Sana Labs (AI for education),
- ZIVVER (email Security)
- and Casumo (gaming)

All are led by CEOs who are self-aware, possessed with ambition, passionate, care about their people, and are also great human beings. All these businesses have been thinking globally from the outset: they see the whole world as their market and they look for talent globally as well, and the Nordics continues to attract.

## 04. Talent

The region will continue to benefit from a powerfully/progressive ingrained cultural gender-blindness. Tech is still male-dominated here (there are still “too many Johans” - just kidding!) but the Nordics have come out of the traps faster than anyone to promote their high-performing female entrepreneurs, like Jessica Schultz, Sophia Bendz, and Natalia Brzezinski.

## 05. Locations

And – just in case it needs emphasising – there's massive activity from founders and investors making waves outside of Stockholm. We're seeing more activity across the region in Finland, Norway, and a particularly exciting startup scene in Copenhagen.

2019 is showing signs of being an equally spectacular year here, and we've already got some big events like the Nordic Business Forum and Stockholm Tech Week in our calendar. I hope we'll see you there.

## THOMAS JEPSEN: BREXIT ISN'T THE ELEPHANT IN THE ROOM

It would be churlish to ignore Brexit in a look ahead to 2019, but whilst it creates some uncertainty, both funds and the private businesses they support can all be counted on to act with exacting rationality. On that basis, we've heard from more than one investor who is deprioritising later-stage UK deals, because deals priced in sterling represent an inherent pricing risk not present elsewhere in Europe. We therefore expect some money to flow out from the UK to Europe, Asia and the US.

More interesting though is the degree to which tech is at the mercy of the valuations of a few major players – Alphabet, Amazon, Apple, Facebook, Netflix, Microsoft etc. And those players have had a tumultuous six months. More positive commentators have focused on the jostling for top spot.

But beneath the headlines, Facebook's reputation and moral standing are being mauled by a thousand cuts - with privacy challenges plus flatlining customer acquisition. Apple is seemingly running out of steam (until their next great product arrives or their excellent services business takes centre stage), resorting to discounting for the first time in its history: a Goldman Sachs research note said *'While it now seems Apple may have miscalculated the price of its iPhone XR, we also believe severe Chinese demand weakness in late summer and a stronger US dollar were unexpected headwinds for the company.'*

Together, these so-called FAANG stocks have shed around \$500BN in H2-18, and that in turn puts pressure on investment funds.

But as my colleague Mannie says elsewhere here, there's no shortage of money looking for a home. More pertinent is that the valuations which can be ascribed to these giants percolates through from P.E. right down to seed. They are a barometer of investor confidence on a macro scale, and this uncertainty will put a brake on the multi-billion valuations and trade deals led by these firms.

Finally, a more tactical observation. Software adoption is becoming increasingly consumerised (indeed this McKinsey report called out the trend back in 2013). Even at the corporate level, users are becoming far more influential in the purchase decision: they won't put up with systems and interfaces that don't match the tech they enjoy at home.

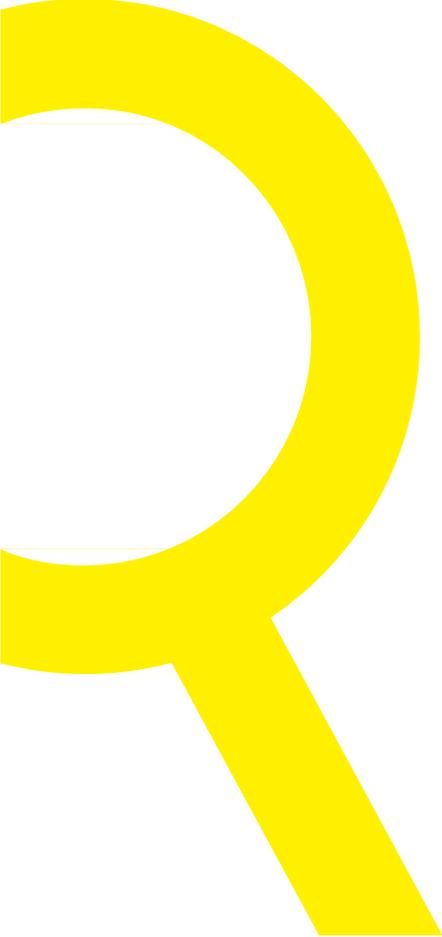
### Thomas Jepsen

Founder & Partner. London.



*Together, these so-called FAANG stocks have shed around \$500BN in H2-18, and that in turn puts pressure on investment funds.*





So companies which, a decade ago, were led by engineering or sales are now finding success by being resolutely product-led: that blend of skills that is required to manage teams extending from design through functionality to user experience.

Founders usually fulfil this role in the early days, but they are visionaries and often lack the discipline and bandwidth to build a clear roadmap. They are highly effective at delivering the agility required to establish an initial product, but need a more structured and collaborative performer to build out the next evolution of the business.

In the words of Microsoft and Accenture product architect George Krasadakis, *"Great Product Leaders connect the technology and commercial worlds to create value—for the users and the business. They act as the CEO for the product—they have a bold vision, a strategy, the resources and the ambition to make the whole initiative successful."*

In B2B technology, those skills are in short supply in Europe; especially when compared with other categories – for example FMCG and Consumer Goods – where Europe is a leader with giants like Unilever and P&G maintaining a steady flow of talent.

A key response is to create a nurture program to find and train the most promising commercial and technical talent with the right adjacent skills to move into product roles.

Either way, boards must professionalise the Product function, and we feel this pressure will only increase.

Renovata is the leading international digital and technology executive search firm. For 15 years, the team has worked with entrepreneurs and private capital investors to recruit world class boards and management teams for technology and digital companies throughout Europe and the US. Renovata has offices in New York, London, Germany and Sweden.

For more information, please visit [www.renovata.global](http://www.renovata.global)