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The Age of the Transformers

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Agilitas proudly sponsored this year's *CRN On* – The Age of 360° Transformation conference, for the fourth consecutive year. The theme this year was one that is front of mind for many operating in our industry at the moment: transformation. Several transformer robots appeared on screen, but the discussion was captivating and focused mainly around business transformation, both with regard to company culture and managing change internally, and concerning external-facing transformation, whether digital or operational.



It is often said that the only constant is change, something that seems especially appropriate in today's tumultuous political climate. This age-old saying is particularly applicable to the global IT channel today, which has to adapt and evolve to deal with changing customer demands and requirements, advancements in new technologies, and other disruptive elements of the ever-changing IT and business landscape.

Transformation is a topic that is brought up with such regularity at the moment that it almost begins to lose its true meaning. It is perhaps more poignant in these changing times to talk about evolution, rather than revolution; constant improvement rather than one-off projects. Change should be little and often, rather than expensive and on a large scale, intended to fully revolutionise the way a business operates.

Here at Agilitas, we practice what we preach. Over the years, we have been applying small, ongoing changes to the way we operate, to huge success. We continue to grow at a rapid rate, due in no small part to the digital and operational transformation we are continually undergoing, which helps us ensure we are remaining relevant to our partners and customers.

In these turbulent times, when almost every sector has been affected by the changing political and economic climate, it's harder than ever to predict what the future holds for the IT channel. During this uncertainty, wouldn't it be beneficial to have a barometer for change to measure attitudes and provide forecasts for the market?

To address these challenges, we have recently launched our inaugural Channel Confidence Index, a barometer for change, measuring the general level of optimism and confidence across a number of key areas important to the channel today. The topics in the index are very much aligned to the research carried out in this *CRN* report highlighting how prevalent they are to today's channel businesses.

To a large extent, all organisations operating in today's channel market have to be able to adapt to changing circumstances. It often seems that nothing is more relevant or critical to the global IT channel than this agility – particularly for those partners that operate across different

international markets, who have to be aware of changing regulations and trends, as well as political and cultural events, across different regions.

However, despite these difficult circumstances, it seems channel businesses embrace change, and even thrive on it. The level of confidence with regard to change in the channel is an impressively positive 7.5 out of a possible 10.

Interestingly, our recent research has shown that channel companies generally feel the most confident

about their ability to remain relevant to their customers, and their collaborative partnerships, as well as about changes led by their own business, which includes transformation, globalisation, and their abilities to innovate and disrupt the industry. On the flip side, they feel less confident and optimistic about change that comes from external sources, such as regulatory changes and political challenges, and about internal operational factors such as financial pressures and recruitment.

These results illustrate an interesting trend. The highest levels of confidence and optimism are felt with regard to external relationships with other partners, and internally driven change; the lowest levels are about internal relationships, and externally driven change.

This perhaps reflects differing levels of control that decision-makers feel over these factors – they feel they have more control over partnerships between their business and others, and over wider practices internally, such as innovation and transformation. However, they feel their ability to oversee is somewhat lessened when it comes to internal financial pressures and recruitment policies, and change that is forced on the business as a result of political and regulatory situations. Nonetheless, the overwhelming positivity and confidence in the channel should not be overlooked. It will be interesting to see how these trends change over the coming years, and looking forward, to use these results to predict the future attitudes of channel businesses.

For those channel businesses asking themselves how they can remain optimistic and maintain positive momentum, by embracing change, we hope that our new campaign, 'CONNECT – Voice of the Channel', which the *CRN On* event & research and Channel Confidence Index are a critical part of, will help advise and shape the future strategic direction of their business in order to remain relevant.

■ *Shaun Lynn is chief executive of Agilitas*



Winning employee hearts and minds

As channel firms experience a constant cycle of change both on a technological and a human level, we share some exclusive research carried out by CRN and Agilitas to discover the true appetite for change and the drivers behind it, and the unavoidable fact that your people are the key to future success

President John F Kennedy once said: “Change is the law of life. And those who look only to the past or present are certain to miss the future”.

That statement certainly rings true in the business world and the channel, as firms in our sector are going through unprecedented periods of multi-faceted change as they completely transform their businesses both on a technological and operational level.

Cloud technology alone has brought about rapid and constant change in the way technology is consumed and sold, which has in turn forced so many firms to transform their businesses to stay on top of the curve.

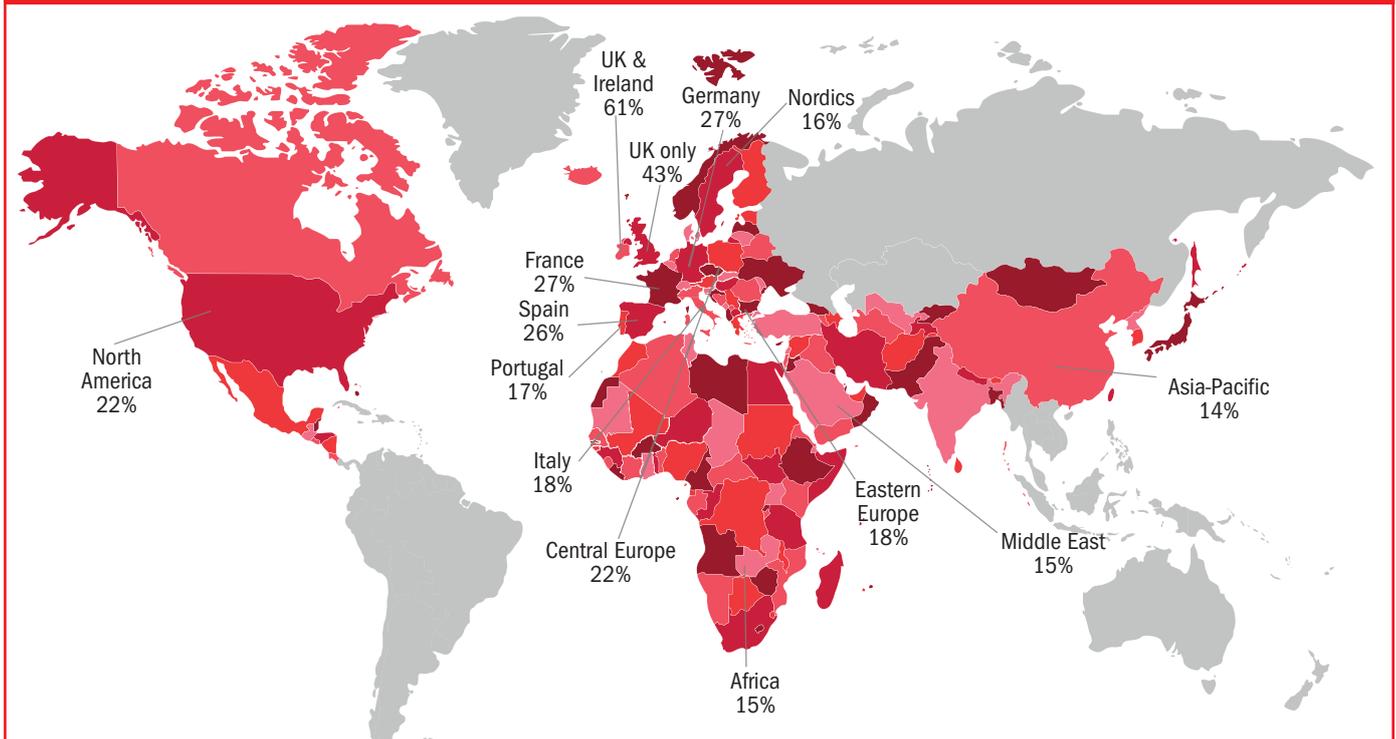
Human nature means people are often reluctant and sometimes opposed to change and if they had the choice, would leave everything exactly as it was. Unfortunately, in today's challenging and cutthroat business world, in order to remain ahead of the game a business has to constantly evolve – not only from a technological perspective, but also a cultural and human one.

The expectations and needs of the workforce are changing, with greater demand for flexibility and a work-life balance. Customers too are savvier and more demanding of their IT suppliers and are taking longer to reach decisions, with more stakeholders involved at decision-making level than ever before. For a channel partner, caught in the middle, it can often be a difficult and challenging process.

The current economic environment is also not a pleasant one. According to the Insolvency Service's most recent figures, there were 451 administrations in the first quarter of 2019, up 22 per cent from the previous year and the most recorded by the government agency since Q1 2014.

One industry that is suffering more than most is retail. Consumer shopping trends have changed considerably and many larger brands have failed to transform quickly enough, and have fallen by the wayside. Too many high-street names are stuck with profit-draining physical stores, when many customers prefer to shop online. According to Retail Economics figures, one in five pounds is now spent online.

1. Which geographical region(s) do you cover?



We have also seen some familiar names vanish from our high streets: Mothercare is the latest to fall into administration, but we have also seen names including Toys 'R' Us, Maplin, Poundworld, Homebase and Carpet Right run into difficulties.

These companies are failing because they are not giving their customers what they want, not listening to their needs, and are failing to move with the times.

This is true across the board and definitely in the channel. These are traps all firms must avoid falling into.

At a recent *CRN On* event in central London entitled The Age of the Transformers, the overwhelming theme was that to successfully transform a business, you must take your people with you, and that is often the trickiest element to get right. Because everyone thinks differently from each other – what may seem fantastic to one person is totally unacceptable to another. Getting employees to compromise on change is a never-ending challenge.

According to a recent Agilitas *Channel Confidence Index* report, the higher up the management chain a person is, the more positive their confidence is towards change.

Shaun Lynn, CEO of Agilitas, said: “The least optimistic of all the people in the organisations we questioned were the sales directors, those at the mid-level. This is because of the financial pressures they are under and because they are focused on selling point solutions rather than understanding the journey their company is on.

“Perhaps those with higher job titles gave more confident answers because they are too distant from the reality of their business and therefore take a rosier view, but another way of looking at it is that those in higher positions have a more strategic outlook and are more likely to be able to see the wood for the trees.”

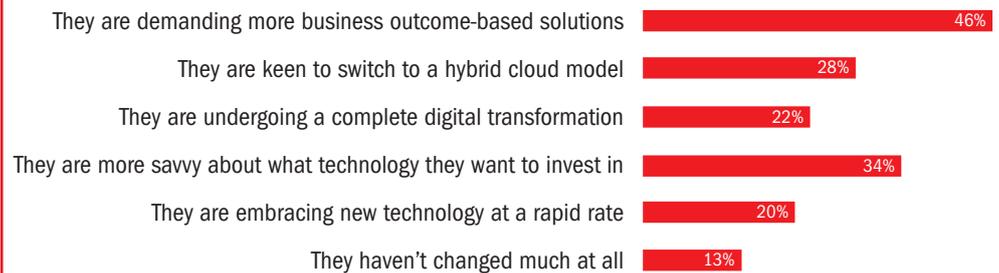
For the event, *CRN* compiled a set of transformation-related questions to ask the channel, to gauge the appetite for change. As will be revealed throughout this report, the recurring theme to emerge was people.

To set the scene, just over 150 channel firms responded to the questions, with turnover ranging from under £2m to over £500m, and describing themselves as resellers, integrators, MSPs, VARs and even born-in-the-cloud players. Their customers were a mix of public and private sector firms, ranging in size from SMBs to multi-national corporations.

Geographically our respondents were truly global, with the majority – 61 per cent – covering the UK and Ireland as their main territories (*Figure 1, p4*). However, others served customers on a global basis with France, Germany and Spain being the top locations, followed by North America and Central Europe as a whole. APAC, MEA and the Nordics were also business-generating areas for our respondents.

We then asked how those customers have evolved over

2. How have your customers evolved over the past two to three years?



the past two years (*Figure 2*). The majority, 46 per cent, said their customers are demanding more business outcome-based solutions to specific problems, while 34 per cent said customers were more savvy about what technology they want to invest in.

Furthermore, 28 per cent said their customers were keen to switch to a hybrid cloud model, while 22 per cent said their customers were undergoing a complete digital transformation. Twenty per cent said customers were embracing new technology at a rapid rate, while 13 per cent said their customers hadn't changed that much at all.

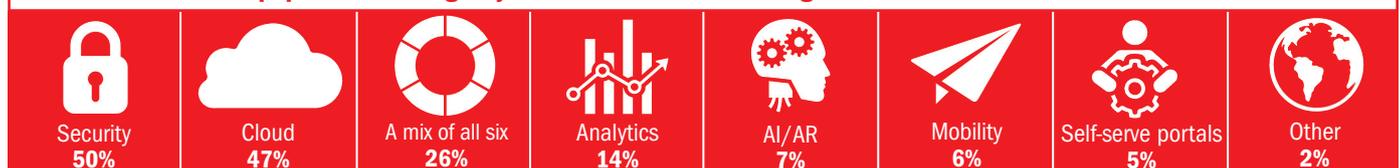
Turning to technology, respondents were asked to name the top two technologies their customers were investing in (*Figure 3*). Cloud and security were top answers by a country mile, both scoring around 50 per cent of the votes. As these technology areas are constantly evolving, whether this is the advancement of the technology or an increase in threats caused by cybercriminals, it is no real surprise. Analytics scored 14 per cent of votes, with AI/VR polling seven per cent and mobility six per cent. Interestingly, 26 per cent opted for a mix of all the technologies, but if this was broken down, there is a high chance the biggest percentage would be taken up by cloud and security-focused solutions.

Because customers are changing, it means suppliers have to evolve as well to keep up. Respondents were asked what changes they had made to their own business processes to cater for their customers' needs.

Topping the charts with 31 per cent of votes was channel firms admitting that they had invested in new systems and processes to speed things up for their customers. With 19 per cent of votes apiece, some said they had formed more collaborative partnerships to remain relevant, and they were making sure they listened to their customers more. Simplifying the way they do business, and recruiting more staff to widen expertise both scored 10 per cent of votes. Just nine per cent said they have retrained their salesforce to focus on recurring revenue.

When asked what the biggest transformation they had made to their business was in recent years (*Figure 4, p7*), 32 per cent of respondents said they had upgraded and futureproofed the business through technology to make them easier to do business with. A further 31 per cent said they had collaborated more with peers, building far more trusted

3. What are the most popular technologies your customers are investing in?





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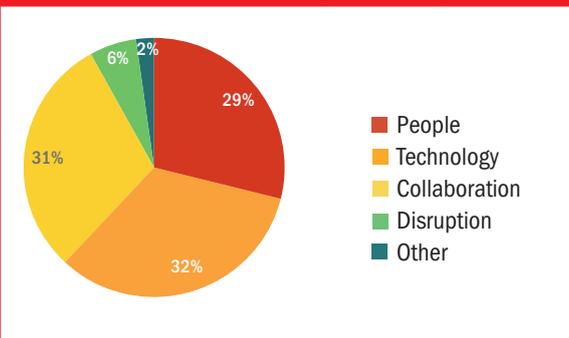
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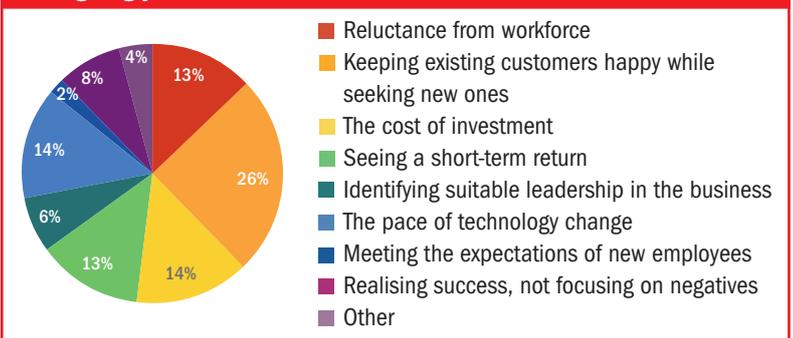
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4. What has been the biggest transformation your business has made over the past three years?



5. What has been the biggest challenge you have faced when undergoing your own transformation?



partner relationships to enhance their service proposition. Closely behind came a people-related answer – 29 per cent said they were employing a far more diverse workforce to drive a culture of innovation, and six per cent had invested in delivering more disruptive commercial models to offer customers a more flexible procurement option.

When asked what the biggest challenges our respondents had gone through so far with their transformation strategies (Figure 5), the majority – 26 per cent – said it had been trying to keep customers happy while looking at new ways to attract new customers. The pace of technology change and the cost of investment scored 14 per cent of votes each, while 13 per cent said reluctance from the existing workforce to embrace change had been an issue and the same number said seeing a short-term return had been a challenge.

Six per cent said identifying suitable leadership within the business to deliver transformation had been difficult. Two per cent said meeting the expectations of new employees had proved challenging.

Alastair Wynn, operations director at Softcat, was one of two keynote speakers from the reseller giant. He said people were part of the firm’s DNA, but it had definitely had some challenges along the way, most recently when the firm floated on the Stock Exchange in 2015.

“In the run-up to flotation there was an awful lot of uncertainty among our employees,” he explained. “Is it going to change? We like what Softcat is and what it stands for. We are free, is it going to change us/slow us down/bring in red tape/affect flexibility? The perception in the end with staff was that it hadn’t changed the business.”

Louise Chadbone, HR partner services, technical and business ops at Softcat, added: “Our winning formula for business success is that happy employees equal happy customers. But every step of the way there has been uncertainty – for example with senior hires, will it affect the company? No, not at all. Automation – will it take our jobs? No – ultimately it will make jobs more interesting because it takes away the mundane and lets you focus on the fun stuff.”

Sticking with the workforce theme, the survey asked respondents to describe the make-up of their staff (Figure 6). A significant majority – 65 per cent – said their workforce comprised an even mix of millennials (born between 1980 and 1994), Generation X (born between 1965 and 1979) and Generation Y (25-29 year olds). Conversely, 17 per cent said their workforce was mainly Gen X, seven per cent said mainly Gen Y and nine per cent said mainly millennials.

Panellist Neil Sinclair, national cyber lead at the Police Digital Security Centre said it was vital to get people of all ages on board when undergoing transformation.

“Always make sure you take your people with you,” he said. “If you are a larger business it is important to make sure the lowest person on the payscale understands why change is happening. Particularly when young people come in. You have to explain to them all why you are taking that particular route.”

Fellow panellist Jon Sansom, CEO of Greensafe IT, said it was important to admit mistakes when in management.

“We didn’t get it right at the start of our transformation journey,” he said. “But engaging with the staff, reviewing project/scopes and getting their feedback was absolutely vital. Directors are not always right. Engagement with all our staff is key for us.”

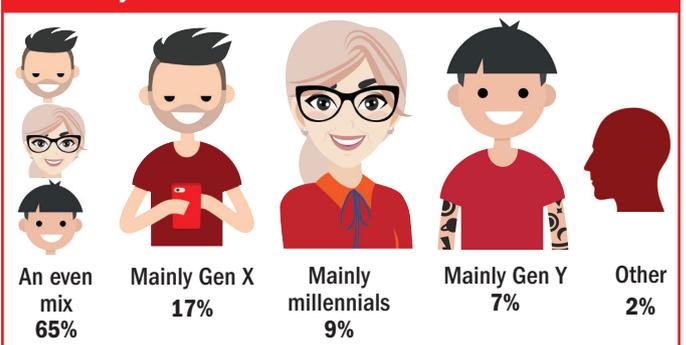
Next, we asked whether priorities had changed as firms began employing more millennials/a younger workforce, who have different expectations of what constitutes a work perk. In total, 28 per cent said they had made a big focus on culture and a sense of belonging backed by ethically strong values, while 27 per cent said they were much more flexible in their approach to the workforce and their working hours.

Interestingly, 16 per cent said their priorities hadn’t changed and they expected employees to fit in with their culture. However, if that culture is a toxic one, staff, both new and existing, will not stay there long.

A further 12 per cent said they had made their workplaces more collaborative so staff could work together more easily, and nine per cent felt they had to keep their technology right up to date. Five per cent said their emphasis had changed from paying high wages and having set 9-5 working hours. And two per cent said a flatter management structure had been their biggest move since employing more millennials.

Because of the turmoil the UK economy is facing at the moment, it would be wrong not to have asked respondents a Brexit-focused question so CRN asked how the uncertainty

6. How is your workforce divided?



The Age of the Transformers

over the UK leaving the EU had affected their businesses in the past three years (Figure 7).

Perhaps unsurprisingly, 48 per cent said customers are taking longer to reach decisions as a result, but 16 per cent said Brexit has had no effect on their business either way. In addition, 14 per cent said they had taken advantage and grown their business organically, while 10 per cent said they were unsure whether to invest in the business or acquisition, or just wait until the whole thing was over. Positively, five per cent said they had already made an acquisition to strengthen their position as a result.

The final part of the survey looked more to the future, asking respondents how they would continue to transform their businesses in the coming years (Figure 8).

Responses were heavily focused on people, skills and keeping staff happy, with 32 per cent saying they would continue to invest in new skills both from the existing workforce and from graduates/school leavers. More firms that ever before are realising the value of their existing people as well as attracting new blood.

A further 21 per cent said that they would focus on implementing a more agile approach across their business process, while 18 per cent said they will be keeping a close eye on technology trends and keep budget set aside just in case. The final two options were customer focused, with 14 per cent saying they would let customers lead the way in terms of the technology they were demanding, and nine per cent saying they would use their own experiences of transformation to help their customers have a smoother ride.

According to Kyle Hughes, co-founder of the Applied Influence Group, another keynote speaker at the event, making changes within a business is all about influencing the right people and identifying the people who can help influence others around them.

“Being able to message and influence your people is tantamount to transformation,” he said. “Also review – it is really important for staff to be able to have confidence to bring up points to management – they need to review and reflect not only successes, but also failures too. Better never stops.”

Hughes quoted findings from renowned psychologist Dr Steven Johansen, who codified the 16 basic desires that people have when faced with change. These include power, status, independence, social contact and honour to list just a few. Hughes suggested scoring these desires out of 10 for each key employee and seeing what motivates them during the transformation process.

7. How has Brexit uncertainty affected your business over the past three years?



Making a statement

Sticking with the forward-thinking theme, *CRN* then asked respondents to pick up to three statements that they agreed with the most (Figure 9, p9). The majority, 55 per cent, felt that companies undergoing a period of transformation now will reap the benefits in the future, while 43 per cent said that companies that fail to futureproof their businesses now both in terms of technology and employment practices, will cease to exist in the coming years. The lowest score – eight per cent – felt that companies with a multi-geographical presence are the ones that will thrive in this post-Brexit world.

However, 38 per cent said that companies with a strong purpose regarding what they do, and which are built on solid values, will be the best placed for attracting talent and also for transformation. A further 35 per cent agreed with the statement that transformation is nothing new in business – but that strategy needs to be built around people and not just processes.

Agilitas’ Shaun Lynn said channel bosses really need to embrace this idea that people should be the top consideration when transforming, and being able to listen to other viewpoints is key.

“I get incredibly frustrated when people don’t think the way I do. [As the leader] you are responsible for the strategy and recognising who has ideas and the vision. Then you think because you told them once, there was clarity of message. The reality is, culture is all about communication and it is constant,” he said.

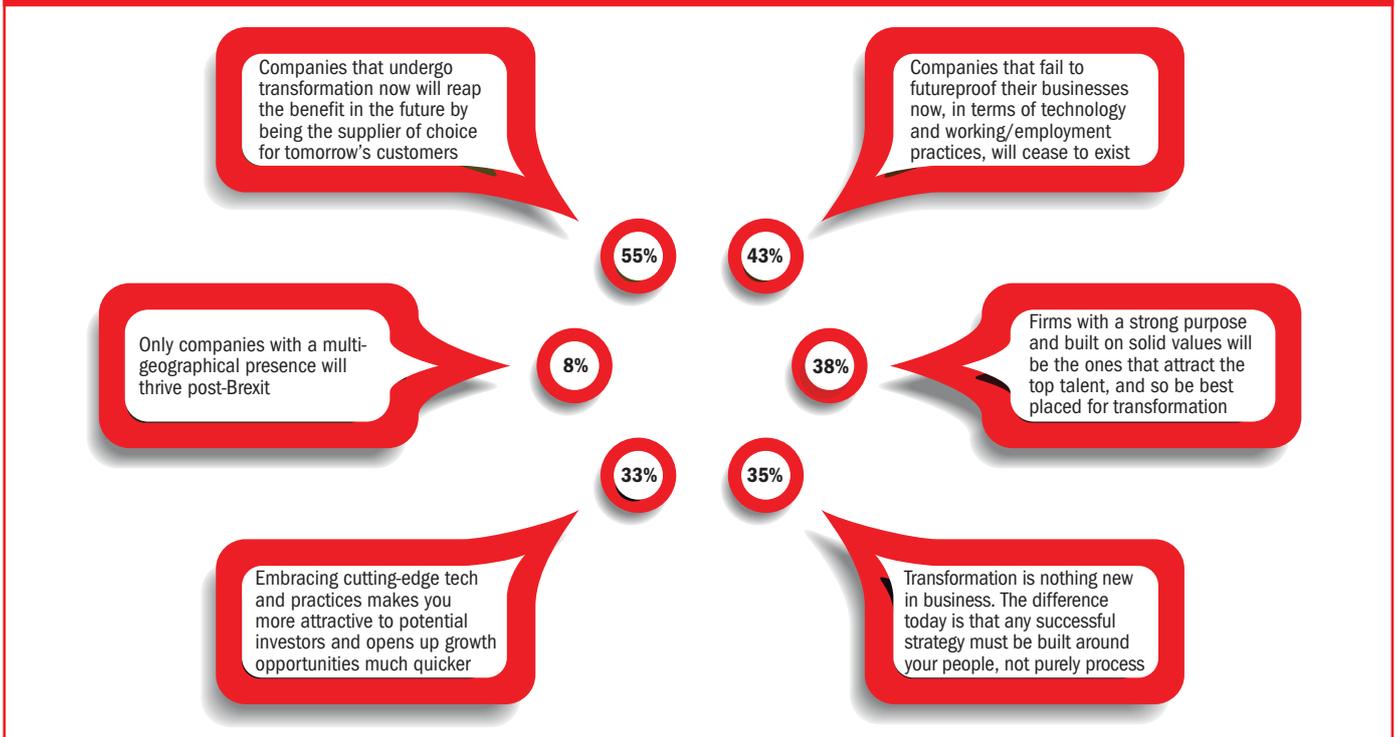
But he added that it was fine to accept that not everyone will come on the full transformation journey.

“Certain people will only go so many stops with you,” Lynn said. “Some people aren’t actually able to change and don’t want to change. Humans have evolved over time and we are very different to how we were then. It is not a prison camp – you don’t lock people in at end of the day, you want them in your business because they want to be there. Belonging is important. You shouldn’t worry about the odd person who

8. How will you continue to transform your business in the future?



9. Which statements do you most agree with?



doesn't want to go all the stops on the journey – you might neglect the other people and more importantly, the customer.”

Softcat's Chadbone said: “It is really important to take people with you when you go on these transformation journeys. Talk to your people, listen to them – ideas come from everywhere in the business. It is still employees first for Softcat – if you do that, they will take care of your customers. But they will also innovate and take you in the right direction. Keep people at the heart of everything, then they can be your constant in this age of transformation.”

As a final question, respondents were asked what technologies they believed would be generating real business opportunities for the channel in the coming three years. Again they could select up to three options.

Topping the charts was cloud with 70 per cent of votes – many would ask if that is a real surprise given the pace at which cloud technologies are being developed and are evolving. It could also point to the fact that despite the amount of airtime and focus the cloud has had over the past eight years, it is only now that we are beginning to realise and actually understand the opportunities it brings to business.

Artificial intelligence/virtual reality came second with 44 per cent of votes – in fact this will go hand in hand with the cloud. Internet of Things scored 34 per cent of votes, with data management scoring 28 per cent. Analytics came fifth with 25 per cent, with workplace device-as-a-solution (DaaS) close behind on 22 per cent. Self-serve applications were last with 17 per cent of votes.

Conclusion

Change is happening and the channel is aware of that. Channel firms are also aware of the need to evolve but they cannot do this without the support of their staff.

The overwhelming theme of both the *CRN On* event and the research is that people are at the heart of transformation and they are the one constant that firms are investing in –

both in terms of existing and future staff. It is a commonly held belief that if you fail to take your people with you on your transformation journey, your very survival could be at stake.

Paul Barlow, managing director of Servium, reiterated that communication is absolutely vital at all stages. His firm is nearing its goal of transforming from a predominantly hardware-focused reseller, to a model that still sells hardware, but with a strong focus on services and recurring revenues.

“We worked really hard on our communication during that process,” he said. “We have two offices at Servium, and that has led us perhaps to overcommunicate as we want to get people up to speed, but we have worked hard at encouraging communication in as many different ways as possible.

“You cannot just send a ‘view from the bridge’ email each month – you need surveys, meetings, sales meetings. It's a company meeting, it's the kick-off meeting, it's Survey Monkey. Communication in as many different ways as possible helps.

“This shows you are a peer, and people can challenge and ask questions all the time. There is no silver bullet, there are lots of little bronze bullets – but if you put them together it starts to become really powerful.”

In short, if you keep staff well informed of your intentions, consult them every step of the way, let them share their thoughts and fears, and make them feel involved and listened to, they could even come up with ideas and suggestions to improve your transformation strategy.

The Softcat philosophy of happy staff equals happy customers is definitely a mantra to embrace. The same applies to vendors that make changes to their channel strategies. Keeping partners informed and on board is a vital part of the change management process.

In this Age of the Transformer, taking your people with you on your journey, as well as attracting the next level of talent, is the real key to keeping both customers and partners happy, and ensuring continued success and growth.

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