



Martin Hellowell

CEO, Softcat plc

Editor's Note: Martin has served as CEO of Softcat since 2014, first joining the company in 2006 as Managing Director. Over the course of his 11 years, he led the company to grow from ~£50M to ~£700M in revenue. Prior to Softcat, he worked at Computacenter's UK and international divisions, with experience in the consultancy sector. Martin has more than 30 years of experience in the IT Industry and currently resides in the UK.

How did you get to your career?

I went to university and did business and French as my degree. At university I made a very conscious decision that I wanted to get into the IT world, not because I'm a technologist (I wish I was, but I'm not) but I saw it as a fast-paced industry where young people could do well quickly. It looked like an exciting industry to be a part of so I went into IT and started out in sales. At the time, I didn't know what sales was. Then the company I first worked for wanted someone who spoke French and sent me out to France, and I ended up working for a French company for a couple of years. Those were the pre-PC days.

Then I saw the PC coming to market and thought it looked like an opportunity. I was looking into people who were doing things in the PC area and fell upon Computacenter. I joined that organization and ended up staying with Computacenter Group for about 13 years, doing many different roles, but a part of it was looking at some of their international expansion. I went back to live in France for a few years and ran Computacenter France from 1997- 2000. I was involved with the IPO of that company back in 1998 (more on the periphery rather than the center); that was my first experience of seeing a company go public. After about 13 years at Computacenter, I moved on, went off and did my own thing for two to three years, mainly in the consultancy arena but also in the charity arena as well.

I thought that was what I was going to be doing for the rest of my life and I was actually quite happy doing that. Then a friend of mine got a call from a headhunter who asked him if he wanted to be MD of Softcat, and he said, "No, I don't, but I know a man who would be perfect for you." And so they hooked me up with Softcat. When I came along, I wasn't looking for a job, but I was quite happy to see

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where the interview led. To cut a long story short, I ended up joining the company originally as a consultant to consult on their strategy and what they should be doing with the business next. When I got into that project, I thought, “I like this a lot—let’s see what we could do with this business.” There was a lot of energy in the business. That was how it all started. I came in as the MD of the organization getting on for 12 years ago.

As a follow-up, do you feel like your background of not being a technologist, which differentiates you from a lot of your peers, is a specific advantage to you?

No, I don't. Don't get me wrong, I understand technology trends, I understand what technology does for business—I'm very well connected in the technology industry and I understand all the different moving parts of the technology industry. But if you asked me to explain bits and bytes of things, that's not my expertise. No, I don't see that as an advantage. I see it as a slight disadvantage, but not a major disadvantage because you surround yourself with good people who do those good things.

Can you walk us through some of the major trends or developments in technology that you saw while at Softcat?

In my Softcat time, technology has continued to evolve at a great pace, which it always has and always will. I don't think this has been a time that has been particularly more evolving, as compared with other times—I think people get too excited about declaring that today is a time where things are changing more than ever. In my 30 years people have moved at a consistently accelerating pace and that has continued over the last 10 years. The opportunities we've seen and taken grasp of are many since 11 years ago when I joined Softcat. As the name suggests, Softcat was an abbreviation for Software Catalogue, so we were a software licensing house—mainly a Microsoft software licensing house, or a LAR, as they were called back in those days. We saw an opportunity in lots of other areas of infrastructure, and the first decision we made was to not stay just being a Microsoft LAR, but to get into the other areas of technology where we thought we saw a good opportunity. We thought that actually would help our Microsoft licensing business because we didn't think Microsoft in the future would be sold in isolation, but it would be part of an overall solution. Therefore, if we were unable to compete with the overall solution, the Microsoft business would suffer over time.

“Mobility is a major trend that’s underplayed in the market.”

So we started moving into exciting areas such as security, networking, data center, cloud, IT services, etc. That was a great opportunity to build our business and we were successful each time in building those new practices within the organization. That was mainly based on customer service, and we had a very good customer service ethic. Customers enjoyed working with us, so then we could work with our customers on a much broader portfolio of technologies and services, which helped fuel our growth.

In terms of technology trends, of the things that I've noticed over the last 10 years, probably the biggest one for me has been what we loosely call mobility: the ability basically to get any data on any device anywhere. I think that has been a major shift over the last 10 years. 10 years ago, we were still logging in to our PCs at our office desks and that's where we would consume data. Now it's on our smartphones, our tablets as well as our more traditional devices, and as you know there has been an awful lot of progress in technology to enable that and to make that happen. And that continues. It's a major trend that is underplayed in the market.

Then there's security. Security has always been there but the critical nature of security just increases and increases. We see that all the time. There was a recent very large attack in the UK, NHS services which reminded us of just how complex and critical IT security services are and have become. Thirdly, there's the whole IT infrastructure evolution. We've gone from having very centralized mainframe computers to decentralized, departmental computing. That's going to come back to being more centralized with now what we see to be a high variety of infrastructure including local storage, private data centers, and public cloud provision.

The overall shift to a cloud mixed with private data infrastructure trend has been one that has changed significantly over the last three to four years. I think those are the biggest moving parts that we've seen. Another trend we've seen that's been talked about in progressive organizations that has become a reality in the past five to ten years is that the customers, IT departments, are focusing less on IT infrastructure and keeping the lights on themselves. They are increasingly turning to third parties like Softcat to help take that burden away, so they have more time to focus on how they can make IT give their companies real competitive advantage. We've talked about that for 20 years but I have seen a real

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acceleration toward that in the last five amongst our customer base. Overall, there have been some pretty significant shifts.

Let's zoom out and look at the cloud in general. Would you characterize it as an opportunity or a threat?

I don't think you can be in denial. Cloud is here, it's real and it's here to stay—you can't pretend it doesn't exist and or that it's not a big thing or you won't be able to make the most of that opportunity. But there's also a very clear reality that cloud does not solve everyone's problems and is not the answer to everything either. Actually, about three or four years ago most customers were always talking about how they aspired to never buy IT infrastructure again and to move everything into a cloud-type environment. Fast forward three years, and today that tone has changed to a sentiment that it's too difficult to move these legacy applications over to the cloud, or cloud is expensive from a day-to-day usage perspective, however, we like the agility of the cloud so we're going to have that mixed hybrid environment.

That actually adds complexity to an IT environment because they've got yet another environment to look after and most customers, a lot of my customers, are in the SMB sector. They're not huge companies that have huge IT resources, so they're asking how they are going to take advantage of what the cloud offers, how they are going to migrate certain workloads into the cloud and how they will manage and secure those workloads. Maintaining either some private cloud or on premise data center adds to complexity for most organizations, but it also carries benefits in terms of agility and flexibility—and that's why they will do it. There is a lot of handholding and help doing that, and that's where people like us can offer those services and those technologies and can benefit from that.

At Softcat, you have a strong culture unlike any of your peers. How do you create a place that's fun, hip and induces people to invest in what they're doing?

There isn't any secret and unfortunately, I can't take too much credit for that. Our founder of the organization, who unfortunately wasn't me, was a guy named Peter Kelly who started the organization 24 years ago and retired. He used to work for one or two large corporations and found existence in those organizations and the whole corporate hierarchy rather depressing. Even the

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greatest of those organizations was an unfulfilling experience. One of his only reasons to set up a business was to create a place where people could enjoy themselves—that was the number one motivation in setting up the company. Peter was fantastic at doing that. Very open communications, lots of fun activities, traveling, and providing opportunities to tour parts of the world as a team, etc. It has always been in our DNA as a business and people have then picked up that DNA and carried it on and into the future. In terms of the actual business model, it’s very simple—but we execute on it very well and we believe in it.

The business model is we take bright young things into the organizations in the first place. We don’t tend to take on people who have gone from one competitor to another, are a bit tired and have gotten the wrong habits within the organization. We train our recruits up pretty well, catch them up on technology, selling, our passions, values, beliefs, what this company stands for, why they’re going to play an important role in that, how they are an important in contributing to that culture, etc. We are very careful about who we recruit. We like people with a positive attitude, work ethic, and that are team players. We then put them into different branches across the country and we try to get them massively engaged with the company.

The biggest testament to that is that we were the number one best place to work in the UK—not just in the IT industry, but in any industry. Very high levels of staff engagement. It’s simple stuff, lots of simple things. It’s me sitting in the middle of the sales floor on a simple desk like everybody else, no closed offices or corner area. It’s being very open in all of our communications. The company knows what we’re doing and why we’re doing it. It’s lots of things that bond the company together, like charity events and some of the trips and it’s incentivizing people financially as well. If they contribute significantly, then they will receive significant compensation for doing that as well—particularly in sales, where it is easier to measure output.

We think the result of all that is you employ the right people in the first place, you train them really well, get them massively motivated by the company they work for and the rewards they receive, and they will do anything they possibly can for your customer. Their success depends on how successful they are with the customer. We will do anything possible for our customers. The competition is not that strong, not just in the IT world but in

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business. I think the levels of customer service in business generally is pretty appalling. You think about your personal life and dealing with your insurance company, broadband provider or cable company. I don't know what it's like in the US but in the UK, it's all a pretty underwhelming and frustrating experience. If you can just get the basics right and do what the customer asks, and actually beat the expectations of the customer, you can do extremely well. It's not difficult stuff.

At Softcat we don't have voicemail—not because we're technologically backward, but because we don't want to have an automated voice recognition system for our customers. We want them to speak immediately to a human being. We want to pick up on feelings and speak to people. If the customer asks for quote by tomorrow, let's get that quote for today and beat their expectations. It's really simple things. But simple things are what big business seems to lose sight of these days. If you get those things right, you have to get motivated and well-trained people. Then everything falls into place. If you look at our growth in the last 10 or 11 years we've grown from £50 million to nearly £700 million—95% of the reason for that is what I've just explained.

That certainly is useful advice for anyone looking to replicate your success. What are some of the advantages that Softcat has experienced in being a public company? That's fairly unusual today among solution providers.

In terms of external advantages, I think it has given us some extra credibility as a company. That's particularly true in the enterprise customer market. In those organizations, being a public company allows customers to know what we're doing and it adds to our credibility and reputation. The brand awareness helps—you're covered more by the financial press, etc. and that helps. Probably the most important thing of all for me is we always run our business on our intuition, our gut feeling, and we're not inclined to spend enough time analyzing our business and looking at the numbers. But when you go public, you have to go into massive detail in your numbers, what's driving those numbers, how the business models pull together, how long it takes for us to make a salesperson really profitable within the organization, what it looks like in terms of tenure when the salesperson goes through an organization, what's a real probability in terms of a net level for our professional services organization, what's an internal investment

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return on one part of the business compared with our security business, and where should we invest more money.

We got a lot smarter about our business because we were forced to, and it's not stuff we do naturally. We're entrepreneur-type businesspeople, not necessarily analysts, but that analytical edge has given us great advantages as a company. Whether you go public or not, the process forces yourself and helps you to really understand the financial metrics and levers within your business and will give a competitive advantage.

There was another benefit of the IPO. In the earlier days, it was hard, but Peter employed people and though he couldn't necessarily give them bonuses at the going market rate, he said, "I'll give you shares—stick with me, and one day I will pay off your mortgages." He wanted to come through on that promise and we made that come true.

You certainly have a unique perspective on Brexit. How has the Brexit decision affected Softcat?

It has been interesting. I was definitely in the "Remain" camp. As you noted, I spent quite a lot of time working and living outside the UK and I was very much pro-European projects. It wasn't perfect in nature and in fact had lots of imperfections and continued to have lots of imperfections, but I still believed in what that achieved and wanted us to be a part of that. So, I voted for "Remain."

In reality, so far, for an organization like us, and actually quite a lot of other people in our sector, Brexit has actually been a good thing for UK companies so far in the very short term, largely because of the resulting currency fluctuations. Most of our largest vendors are US vendors and they have brought up their prices significantly, which gave us two advantages. First, we were given good forewarning of those price increases by the different vendors. For example, Microsoft said in October that on January 1st their price would increase by 14%. Surprise! We sold a lot in November and December before that price lift came into effect and because we are an agile sales force, we can take market share, tell customers about those price changes and why they should upgrade earlier because of that and get more market share. We benefited from those announcements then.

Secondly, and mathematically, when vendors put their prices up, that increases our revenue. If prices go up by 10% and we carry on

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those things, our revenues go up 10%. In reality, many customers’ budgets are relatively fixed, so if you sell something for a higher price customers will have to cut back in other areas. But many customers decide that they need to continue what they were planning on doing—and as a result, there’s more money in the local IT market because of those price hikes. We’ve been a benefactor of that in the market.

Longer term, it’s too early to say because nobody knows what that deal is going to be. I’m optimistic there will be reasonable deal that will make us able to trade in a reasonable way with the rest of Europe and I’m optimistic we’ll come to some decent conclusion of it, but there’s no guarantee we will and it may make business become more difficult. You may see some US and Japanese companies not invest in the UK when they might have previously, and that might affect spending over the long term. Softcat is probably less vulnerable to that because most of our revenue comes from SMB than international companies, but it could have some impact over time. So far I have to say, and on one hand with a certain degree of reluctance, that we’ve been benefactors.

In terms of consolidation, do you see more among solution providers today or do you see companies establishing their niches and staying put?

I don’t see the game today being significantly different than it has been over the 25 or 30 years I’ve been in the industry. Discussion is always about “go niche or consolidate.” That’s not new. That has been going on for a long time. There has been a lot of consolidation and I think it will continue, not quicker not slower, but at a similar pace. What I think people forget is Softcat 11 years ago was a tiny minnow in the IT industry—there are other Softcats out there today who are tiny businesses but will grow, do well, get that customer service equation right and become major players. There are people who don’t exist today who technology will give a new opportunity to. There are 50 cloud businesses in the UK which didn’t exist four years ago, but people saw the opportunity to grow the cloud market and create businesses there, and once they become bigger in the cloud they go to security and before you know it they’ll become another all-around IT solution provider. For every bit of consolidation at the top, there’s fragmentation at the bottom. To me, the market dynamics don’t fundamentally change over time.

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How did you decide it was the right time for you to leave your role as CEO? What’s next for you?

I see myself as [stepping] up, rather than stepping down. I’m going to be the chairman of Softcat. I’m delighted to be staying with the organization rather than leaving, and I’ll be doing so in a more hands-off fashion. I’m looking forward. It’s not very often that somebody gets an opportunity to become chairman of a FTSE 250 organization and I intend to take that responsibility very seriously. I want to learn how to be a proper chairman and learn skills that I can use in several companies in the future. That’s one of the opportunities I want to grasp and make good. I think that’s one of the longer-term aspirations I’ve always had.

Why now? 11 years full-on, I have been absolutely obsessed with Softcat—every day, every weekend. And that’s the kind of personality I am. Both for me and the company, it’s time to mix it a bit. I get to stay with the company, which can benefit from my knowledge and experience, but someone else can do the obsessive side every day. When I joined Softcat 11 years ago, it was blindingly obvious to me where the opportunity was, what we needed to do as a business, and what we needed to change. You have that kind of knowledge when you come in externally or even new into the role from another internal position. When you’ve been in the trees for 11 years, you can’t see daylight anymore. It gets harder and you get used to the way you’ve always done things and you question it less. I still question it, but it’s less than I used to. I think having freshness in the organization, challenging what we do and looking at different opportunities we haven’t looked at before is great for the organization and for the me.

I’m now in my 50s and there are other things I want to do with my life. My son is in the autistic spectrum and I’m quite involved in the whole autistic world; I have a few projects in the special needs area I’d like to progress. I’d like to do something good and give something back in those areas. And I need to look after myself a bit better. It’s a great lifestyle that we lead, but unless you are super disciplined on your personal health, it’s easy to be led astray, and I’ve spent half my life eating in restaurants with clients, vendors, etc. I need to do something about that. I want to get healthier. And after all that, I have some business projects, investing in some interesting technologies non-conflicting with Softcat. I’d be delighted to try my hand at a different form of

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business that I've never done before. There's lots to do for me personally and I think for the company as well.

What's a piece of advice someone gave you in your past that you'd like to pass along?

I'll give you two. The one I remember starkly, someone gave me as a piece of advice 20 years ago. Computacenter Chief Executive Mike Norris--and it's an expression he has used a few times: "Keep your gunpowder dry." When I was a 25/30-year-old obsessive individual, I wanted to solve everything and fight everything. If I saw something wrong, I would try to fix it, no matter what it was. You need to pick your battles. You need to decide which ones are important. You can't fix everything and if you do, you will, one, burn yourself out, and two, piss everybody off. Pick which ones actually matter and focus your time on those rather than trying to fight every single battle. I have to remind myself of that and I've often imparted that little piece of advice to prioritize battles.

The other one that would be my words of advice would be to try not to listen to conventional wisdom. There's an awful lot of hype in this market and we've talked about some of those things in this conversation, about the market consolidating and the effects of cloud. Generally speaking, people exaggerate. If I listened to conventional wisdom, we would have stopped being a reseller 15 years ago because 15 years ago they said it's impossible to make it selling products, that's dead, you have to get into IT services, large enterprise accounts, that's where all the money is, etc.

The problem with that is, one, people who generally say those things don't necessarily understand the realities of some of those things. But secondly, everyone else listens to those things and go and do it.

If you look at the IT services enterprise market in the UK today, it is the most overcrowded, overpopulated market there is, which makes it really tough because everyone listens to that conventional wisdom. If you go against the grain, if you go against where everybody else is going and you stick to what you know and where you know money can be made, you tend to win. So, listen to your own gut rather than conventional wisdom, I would say, is a lesson I've learned over the last period, certainly.