Gartner

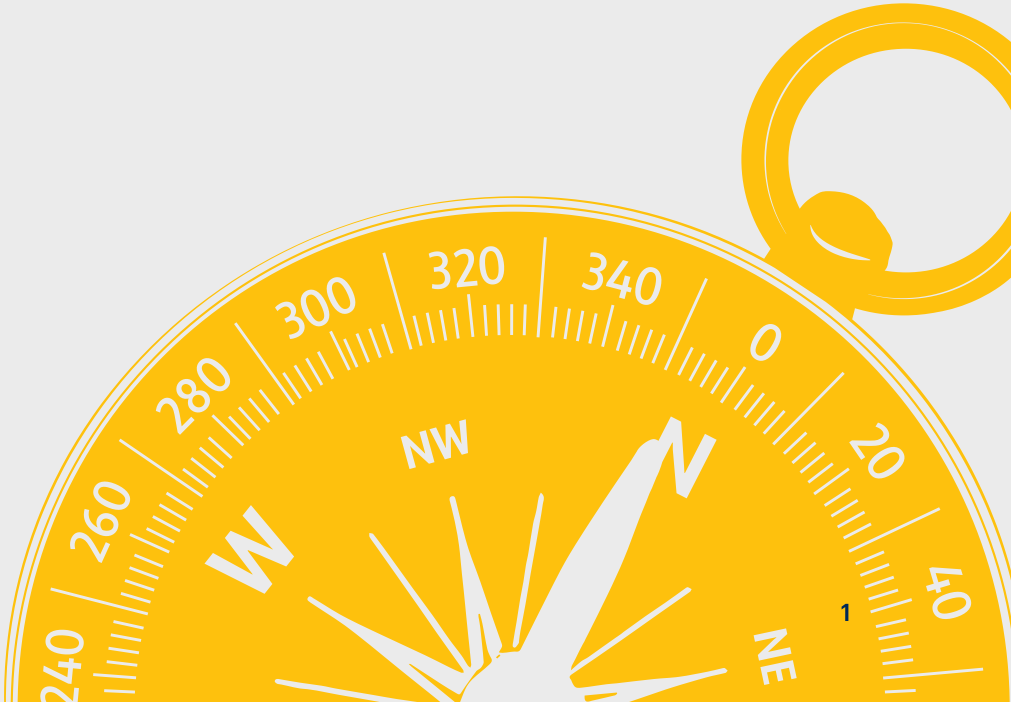
Helping Tech CEOs Grow Their Businesses Faster

What tech CEOs should know

In the past few years, economic conditions provided a solid foundation for growth for technology and service providers. As we move forward, however, uncertainty abounds. The need for growth is still critical, but will require more targeted strategies to ensure the right approach is undertaken and executed.

For small and midsize companies, the ramp for growth almost always coincides with the ability to break through barriers that can stall company advancement. These organizations need to think about critical factors like scaling best practices across sales, building customer advocates and monitoring key growth performance metrics.

Rishi Sood
Practice Vice President
Gartner Research & Advisory



CHALLENGE

Growth stalls are inevitable; managing them is key

In the 2019 Gartner Tech CEO Survey, leaders cited their top concerns as profitability, hiring employees, growing revenue and cash flow. But despite focus on these core elements, most tech companies will stall over time and inadvertently devalue themselves.

Companies have distinct growth spurts and stall periods, but stalls are indicators that your company is headed toward the "wall" where growth is hard, profits are difficult, and employees are overworked or stressed. The average company will stay in this stage anywhere from 18 to 36 months once the cycle begins. Companies seldom recover; they lose value, customers, employees and market momentum.

The challenge for tech CEOs is to properly balance innovation, product development and customer acquisition across specific growth periods. Many tech CEOs, for instance, see new-feature functionality in products as the key to growth and minimizing stalls. They invest heavily in products while scrimping on sales and marketing spend. In favoring continuous product development over customer acquisition, they can inadvertently stifle growth.

The question, then, is how tech CEOs can minimize their time in stalls and ultimately grow their market share faster than their peers.

Walls Punctuate the Growth Path

What to look for in a stall

1	$0—$5M	Day 1
2		Proof of Concept
3	$5M—$10M	First Wall
4	$20M—$50M	Good Times
5	$75M	Second Wall
6	$125M	Search and Restructure
7	$250M	Letting Go

Source: Gartner

PAIN POINT

Left to chance, most tech companies will fail

Tech CEOs who only focus on profit, revenue, cash flow and people will fail on many counts, if they survive at all. Too few know how to anticipate stalls by assessing their profit rates against their stage of revenue, understand key capacity indicators around utilization of staff or development goals achieved, or are able to “feel” the stall with qualitative measures.

The impact is felt in revenue and earnings, and these companies lack the capabilities, capacity and culture to innovate effectively at scale.

Left to Chance, Tech Companies Will Struggle or Fail

Only 1/4 of companies ever reach more than $100M in revenue

Companies whose growth slows seldom recover

42% to 80% of tech products fail

Less than 2% of tech companies will achieve $1B in revenue

Source: Gartner

GARTNER SOLUTION

Four ways to think like a high-growth tech company CEO

For tech CEOs, it is possible to grow from no revenue to $250 million and beyond, breaking the statistical norm — if they follow the lead of CEOs from successful high-growth companies:

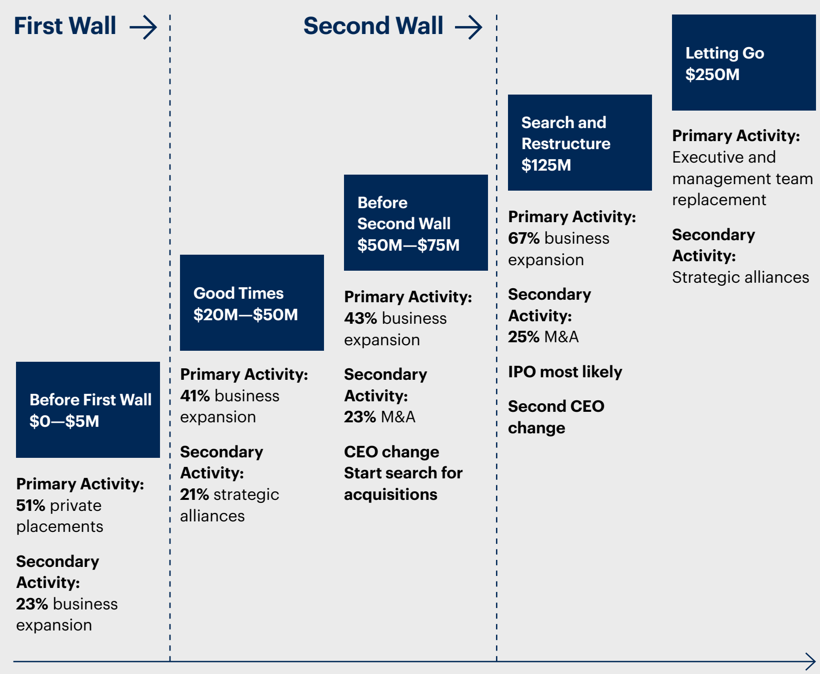
1. Pay attention to the need to change. Know how growth feels and what indicators to look for during "stall and wall" periods.

2. Emphasize growth over earnings. Focus two-thirds of your efforts on client growth and one-third on product development. Consider changing the selling, general and administrative expenses (SG&A) profile and invest in sales and marketing. High-growth companies spend 3.5x the average on these activities.

3. Delegate to enable the company to scale. Invest in key leadership appointments sooner, and outsource nongrowth functions for scale and flexibility.

4. Focus on innovation. Emphasize innovation effectiveness across the existing business, focused on customer experience and differentiation each year. Innovation adoption at high-growth tech companies is way above average at over 23%.

Focus on Growth and Less on Earnings for Long-Term Success



IPO = initial public offering, M&A = merger and acquisition
Source: Gartner

The Gartner Expert View

"To be a high-growth tech company, CEOs must broaden their thinking beyond measuring revenue, cash flow, profits and people, and be prepared to invest aggressively, focus on client acquisition of features of their products, outsource nonessential items and be effective innovators. The best CEOs also know the indicators of a growth stall and react faster than their peers, minimizing the 'wall' period and enabling their company to capture market share while others struggle."

Alastair Woolcock
Sr. Director Analyst

Moving From Insight to Action

Gartner for Tech CEOs: Grow and expand your business

Gartner helps tech CEOs and their leadership teams make confident, strategic and collaborative decisions by addressing four key areas:

- Customer acquisition
- Product strategy and launch
- Corporate development
- Business performance

Learn more

View Gartner's Tech CEOs Framework
Learn how Gartner can help you plan and execute on your key initiatives with confidence.

Are you interested in learning more about the services and support that Gartner offers tech CEOs to ensure they can deliver against their most critical priorities?

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