What next... time to accelerate

HSBC UK | Opening up a world of opportunity

What next... time to accelerate

How tech firms can meet their 2030 business objectives – from ESG to future-proofing and growing in new markets.

As scale-up tech firms grow, their business objectives evolve. We asked business leaders at the event to discuss three core themes – identified by Tech Nation – likely to impact growth trajectories between now and 2030: ESG, future-proofing and scaling up – with a focus on international expansion. Here we share some of the key messages that came out of those discussions.

Managing the customer relationship

It's not surprising that top business leaders stay on top of managing the customer relationship, the basis of most business strategy. However, they also see this skill as a key tactic for future-proofing and scaling over the remainder of the decade. For example, as consumers have become more conscious of ethical and responsible business practices and the impact of companies on the world, they are making increasing ESG demands. For businesses, it's important to listen to those expectations, but they also need to manage them. It's about communicating around what's feasible and helping to bring the customer with you on your sustainable journey.

> **“Having the right commitment to ESG is clearly an enabler in that it allows you to compete for the best talent on grounds other than pay,”**

Talent and skills

Skills and talent will also likely play a major part in firms’ abilities to meet their business objectives by 2030. In a tightening talent market, employees are becoming increasingly choosy about the organisations they work for, which puts the onus on firms to better attract and retain the best employees.

This situation is also being fuelled by a short talent pipeline in the tech sector. Even with the news of recent layoffs at some tech firms, there’s still a shortage, not only in the skills needed today, but in the new skills that will be needed in the future.

“We have seen a period, particularly in the UK, where the younger generation hasn’t been choosing the subjects at school that are so relevant to tech businesses,” explains one tech leader. “Alongside that, and partly because of that, many of the start-ups and newer players in the market have seen staff poached by the bigger firms. Therefore, it will be really important to retain good people, whether through pay, through share schemes or ultimately by creating a culture and purpose that is more important to younger people.”

Talent will also be a major influence on firms’ ability to enter new markets. Tech firms may choose to strike a balance between taking talent into new markets, such as an MD and a product specialist, and recruiting new talent locally.

Whichever strategy they choose – it is clear the tech sector remains a people industry and that finding top talent will be a priority throughout the remainder of the decade.

ESG and regulation

While ESG is now a mainstream theme impacting a business' ability to grow and succeed, there remain concerns that the measurement and policing of ESG commitments could hamper progress between now and 2030. Greenwashing remains a real-world risk, and one that will likely grow further as consumers and consumer groups increase their scrutiny of the organisations they interact with. The potential reputational damage resulting from greenwashing will only increase – meaning firms will need absolute confidence in their ESG measurement.

However, this will continue to be a challenge without standardised global measurement and reporting frameworks.

Regulation will also be a major influence entering new markets. For success, tech firms will need a clear understanding of local regulation and whether they are compliant with it prior to entering – but also to fully explore the impact that and other local issues may have on pricing models.

Despite this, regulation should be considered as an enabler for growth, as has already been seen through the opportunities that have been opened up by tech regulation, GDPR and Open Banking, for example – all enabling firms to operate in new markets as seamlessly as possible.

> **“It will be really important to retain good people, whether through pay, through share schemes or ultimately by creating a culture and purpose that is more important to young people.”**

ESG as an enabler

ESG should also be viewed as an opportunity and an enabler, rather than purely as a risk.

“Having the right commitment to ESG is clearly an enabler in that it allows you to compete for the best talent on grounds other than pay,” says the leader of another tech business. “Having that right commitment and evidence of your ESG commitment can also help you obtain private equity backing. Private Equity firms will want to see that it's real – so if you can demonstrate that, then you are at a clear advantage. Bankers are likely to increasingly consider this before lending, too. And, in areas such as the public sector, contracts are now awarded partly based on your ESG credentials. So again, there is a massive opportunity if you have a genuine ESG story.”

Similarly – and again as consumers' awareness of ESG and ethics rises – firms' commitments to ESG can help them attract more customers based on more than just price.

A specialist from the private equity sphere agrees that PE firms take ESG into account when considering an investment, but adds that it is not currently included in valuations.

"The most damning point is that I have never seen an ESG place value at all in any of the transactions I've worked on – not even a detail on any of the calculations," he says. "That being said, every single one of those funds has an impact fund that is specifically tasked with investing into ESG businesses. If they don't have an ESG strategy, however, it's likely there won't be a deal to be had in any case, as people will likely walk away."

"I think we will reach the stage where it is included in the valuations – especially given the demographic changes we are witnessing and the fact that younger people, with a stronger commitment in this area, increasingly become the wealth holders. But we're not there yet."

Roland Emmans, Head of Technology Sector and Growth Lending at HSBC UK agrees, adding that the fact ESG and regulation are both now being seen as opportunities for tech businesses – as ways to win customers, engage with staff, drive culture, draw investors' interest – shows the maturity and progression of the sector as it continues its journey to 2030:

"It's clear that whatever the future brings, the UK tech sector is in very good hands and in very good shape."

"I think we will reach the stage where it is included in the valuations – especially given the demographic changes we are witnessing and the fact that younger people, with a stronger commitment in this area, increasingly become the wealth holders. But we're not there yet."