



Graeme Watt

CEO of Softcat

Editor's Note: Graeme Watt is the chief executive officer of Softcat, a UK-based IT reseller and FTSE 250 listed company. Watt joined Softcat in 2018 following long-time Softcat executive [Martin Hellawell](#)'s move to chairman. He spent 30+ years in the IT distribution industry and his previous role was as senior vice president EMEA, advanced and specialist solutions at Tech Data, which he was promoted to after Tech Data acquired Avnet. Prior to his role at Tech Data, Watt spent seven years as president for Avnet Technology Solutions, EMEA. Roles earlier in his career included president of global distribution at Bell Micro, president EMEA at Tech Data, and managing director UK and Ireland at Computer 2000. Since taking the role as CEO of Softcat, Watt has achieved impressive growth -- in 2018 alone Softcat saw an increase of 30 percent in revenue growth.

What did your career path look like?

I went to University in Edinburgh where I studied Physiology. I then went in a completely different direction when I moved to London and got my ICAEW in accounting. After starting my career in accountancy, I joined one of my clients, First Software, an IT distributor where they offered me a role as a financial controller. This was in the late 80s right when the IT industry was starting to get really interesting and the PC market was taking off. After I joined the company, I made my way up through the ranks to become MD of what, at the time, was a UK focused IT distributor. I then got acquired several times over the next 30-years. I had UK, EMEA, and then global leadership roles within global IT distribution companies. After that successful and rewarding 30-year stint, I was with Techdata running its EMEA Advanced solutions business and the role of Softcat came up. Martin Hellawell decided to move to chairman and wanted to fill his position as CEO of Softcat and it was something I was delighted to apply for because Softcat is a fantastic company, both from the outside and now from the inside. It is very well known in the UK and in broader markets too. It was a fantastic opportunity to join such a company in the capacity of CEO and one I had dreamed about.

Tell us about your role at Softcat.

My role at Softcat as CEO is to steer the ship. It is to invest and develop our special culture and to make sure that we're making decisions and making investments now that will deliver success in the medium and long-term. The strength of Softcat's most recent

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performances are well documented – and my job is to make sure that we continue to move the business forward and achieve future success. I also see myself as the ultimate custodian of our culture. The culture in this company is probably the most important differentiator we have in the market. Our culture drives what talent we attract and retain in the company. It is a key determinant in helping us to deliver the highest levels of customer service we possibly can to clients because our employee workforce is comprised of so many highly motivated and engaged individuals. Our philosophy is that if you put a lot of energy, investments, care, and attention into your own staff, then you’ll create a highly charged, energetic, agile, and motivated workforce that spills straight over into the way you deal with customers. As the ultimate custodian of our culture, I have to make sure that we continue to invest in our people and make them front and center of everything we do.

I’ve never been CEO before, so effectively an element of what I am doing is learning on the job. It’s one thing being head of large divisions of global IT distribution companies, but I haven’t been CEO of a publicly held company on the stock exchange before. I am learning about how to work with our board and the financial community and that’s very interesting. I bring with me some experience running large multi-national divisions of global companies, I’ve had system transformation experience, and I’ve had M&A experience, so it’ll be interesting to see which, if any of those experiences and expertise can be used in the coming years in my role at Softcat.

How do you fill the shoes of Softcat giant Martin Hellawell? What is your relationship like today?

That’s a good question – but I don’t think about it that way. If you dwell on ‘filling the shoes of somebody’ you’re almost thinking you can’t do as well as that person. Martin and I both have very important roles as chairman and CEO respectively. We defined our ground rules together very clearly from the outset. Martin now focuses on his chairman role where he is responsible for compliance and governance, hiring CEOs and CFOs, and weighing in on things like the strategy of the company and all the normal things that boards do. We also discussed how that would work, and how me as CEO and my team are totally responsible for the day-to-day operations of the company and for being responsible for developing the business strategy and for its execution. We had a long chat about that because it was very important for both me and Martin to get it right. And it has worked really well. We help each other – we’re completely in tune and

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in line with what we need to do to achieve further success. I’d say the CEO transition went as seamlessly as we could imagine. It’s very much behind us now -- I’ve been CEO for 16 months and we don’t talk about the CEO transition anymore. My focus is on continuing to build and expand the business around the core value that we bring to the market. Martin, and Peter Kelly before him, had elements that defined their periods in charge, and in time we’ll be able to look back and determine what characterized my time in charge as well. I think we’ll see different stages of Softcat’s evolution -- its growth -- and that will have been led by different CEOs.

You spent most of your career at distributors. What are the biggest differences you’ve found from working with the partners versus working with the end-users?

It’s very different. I would say a distributor to a reseller relationship has more of a supply nature and distribution is very vendor led. At Softcat as a reseller, we’re closest to the end-customer and I would define that relationship as more of one as a trusted technology and business partner. We’re in a much greater position of influencing the ultimate transaction or solution. You can see how that manifests itself in the way our vendors are very keen to invest in working with us as a reseller to sell more through us to the customers we touch. Because ultimately the 12,000+ customers we touch are very important and it’s a key part of our sales motion and for our vendors. Another difference between working for a distributor versus a reseller is that now when I’m in business and social situations there’s always an opportunity to position Softcat as a potential partner. I find that quite interesting and exciting because previously, when you’re selling trade only, you don’t have the same opportunity. You’re not getting into business deals at the end-user level. So I’d say it’s more exciting and more interesting.

Are you planning on expanding?

We already have an office in Ireland which we opened a little over a year ago, so we have entities that sell into both the UK and Ireland markets. We have also been investing in operational capability outside of the UK and Ireland, but specifically geared to delivering the overseas needs of our UK enterprise customers. If we’re dealing with customers in the UK that are multi-national companies, and they say “we’re refreshing our infrastructure solutions datacenter environment, and by the way, we’re doing this in the UK and some other markets. Can you help us do that?” The answer is yes, we can. We’re following our UK customers in this respect and we have established entities in Singapore, Hong Kong, Australia, and in the United States to do just

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this. This has enabled us to create some local relationships with the vendors and the distributors in those locations, and ultimately helps us serve UK customers more effectively in markets outside of the UK where they need our help. But, to be clear, there are no plans at present to expand our international footprint or to sell or net new customers in markets outside of the UK and Ireland.

Does Brexit help or hurt Softcat?

I don't think anybody really knows what Brexit does at this point. In a sense, all of the options -- remain, leave no deal, or leave with a negotiated deal -- have been in play for quite a while now since the referendum, and are still in play which is rather incredible. I don't think it hurts or helps Softcat or our industry specifically. To date, we've seen no material evidence of either acceleration or deceleration of spending as a result of Brexit which I think is positive. The UK technology market has remained a good, strong market. If there are any supply chain disruptions that arise through Brexit, then we have plans to manage those together with our vendors and distribution partners. Wider implications could include currency fluctuations or an impact on demand. We are used to having currency fluctuations -- we sell in mostly pounds and euros, but we buy in multiple currencies and we're used to dealing with multiple currencies. If demand was impacted, if the UK market suddenly suffered a decline, and that impacted the technology sector, then I think we'd be in the same boat as our vendors and competitors. Our response would be to laser focus on making even further market share gains to compensate. If we look at our growth last year of around 30 percent, about 10 percent of that was coming from the market and about 20 percent from market share. Market share is still a big opportunity for us. We also know that we have only 5 or 6 percent of the share in the UK currently and we're the second largest reseller in the UK, so we have lots of scope to grow in the UK and Ireland.

What are some of the biggest changes in the IT industry that you've seen in the past five years?

From a consumption perspective it has to be cloud adoption. Other trends include mobility, consumption, subscription models for software and adoption of social media. All these areas have driven and are driving sales opportunities in our industry.

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What other trends are you seeing in the technology space?

We’re seeing more requirements from enterprise customers for partners to deliver against their multinational needs, so it’s a huge area for us to look at. 5G and what that will do to the instrumentation of our environment is another. I believe 5G will be a catalyst to generate a step change in data creation which will drive infrastructure demand. And because 5G is a mobile network, it has better performance, wider coverage, and I think it’ll be a positive driver and opportunity for growth of data and edge computing. Some of the other trends I also see starting to pick up now are managed print services, device as a service, and financing solutions and support. I think adoption of financial solutions in the technology industry is accelerating as more and more customers are changing their business models, and as people are consuming technology more rather than buying lumps of technology and letting it depreciate over time.

In the current moment, what do you think is the biggest opportunity for growth?

The biggest opportunity for growth is multinational solutions. It’s assisting our enterprise customers with their multinational needs. Virtually every customer I talk to in the enterprise space is planning their multi-national infrastructure solutions through as few partners as possible in a single location instead of buying, designing and implementing solutions country by country. They want to do it once and they want someone that can help them deploy in multiple markets. We’ve been able to historically export to other countries for our customers and we’ve been able to partner with businesses in other countries. But those are operationally clunky. They’re clunky for us and they’re clunky for our customers -- so we have taken our business to the next level by establishing a further four entities to date outside of the UK and Ireland.

From a technology trend, I’d say 5G is a strong catalyst for market growth – it could create a step function change in data creation and that’s exciting when I think about all the infrastructure technology and edge computing that generates.

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Why is Softcat’s growth so much more explosive than its competitors?

There’s a number of things that come to mind with this question. Ultimately, it’s back to that simple point I touched on before. It’s our culture. It has a hugely positive impact on our employees and has a direct positive knock-on impact on our customers. If you go speak to our customers and ask them why they deal with Softcat, they almost always say it’s because of our people and the way we deal with them, the relationships we’ve established with them, our expertise, our experience, our agility and our commitment to execution. They find us different -- much easier and more engaging to deal with, and that’s huge for us. Lots of people in our business do the same or similar things, but our culture is the key differentiator.

I think there’s some other answers too. The breadth of our technology and services are substantial and we’re one of the few resellers in the UK that has the strength of portfolio products and services. This is becoming increasingly important as many customers now are looking to deal with fewer and fewer technology partners that can deal with their end-to-end infrastructure requirements and we’re one of the few companies that have the breadth of portfolio that they are looking for. Our breadth of customers in SMB also makes it very difficult for someone to come in and replicate our business. Most of our resources are customer-facing and we have solid execution of a very simple strategy.

You believe in hiring and training young workers right out of college. How does this help Softcat?

We target and attract people with ambition and passion right out of university that will fit in with our culture and succeed. The largest part of our sales recruitment here is aimed at university graduates. When they join, we provide the tools and the training for them to be able to excel and for them to become technologically savvy. What we give each of them is around 70-100 accounts that exist in the UK marketplace that we don’t deal with to date and their primary task is to go and attract new customers from this base to Softcat and to build a relationship over time so that over time they can grow to become important customers for us in the future. We have trend lines that show that they will deliver more and more gross profit through those customers over time because they develop deeper relationships. Some customers go nowhere, but with many customers we are able to develop very deep and heavily engaged relationships which will then deliver more and more business for us.

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The other thing they do is keep us young! The company stays young, we stay current, and I think some of the stuff that comes very naturally to them – anything to do with social media or the cloud, etc. – they’ve been brought up on this. So, it’s not different to them, it just is what it is. It keeps us young, current, real and relevant.

There were record amounts of M&A activity in 2018 and the beginning of 2019. Do you think this trend will continue?

I would say that this will probably continue. There’s lots of cash around on companies’ balance sheets. I also think private equity firms have a lot of money and there’s low interest funding available. Currencies are fluctuating so there’s probably some opportunistic pricing just around currency fluctuations too. The other thing is, and the future always has some uncertain element to it, but I think when there’s a lot of cash around people might be looking to consolidate and grow and create more certainty in that growth. The other thing that’s quite interesting is that many business owners from companies that were formed in the 1990s are starting to reach retirement and they’re making a corporate or financial sale their preferred option as a next step.

How does M&A play into the company’s success?

Historically it hasn’t played into the companies’ success at all because we’ve never acquired. Our growth to date has been 100 percent organic and we currently have no plans to acquire. But I also think you never say never. We’ll see if it plays a role in our future growth even though it hasn’t played a role in our historic growth. You don’t know when or why that might change.

I do believe M&A is a fairly well-established way of growing businesses and growing capabilities – technologies, services, etc., or expanding geographies or markets. Companies generally have three options. They can buy, they can build, or they can try before they buy or build. We tend to try before we buy or build. If we don’t have a capability that our customer needs, we tend to use partnerships that will deliver services and technologies we don’t deliver ourselves, and then over time we may take the option to build it ourselves. But there’s also lots of technologies and services that we don’t want to build now, today, yesterday or tomorrow and we’ll continue to partner. We continue to use partnerships as a way of enhancing our offerings. But I do think that good M&A that has a good cultural fit, a good strategic fit, and is well executed is a valid way of growing a company. At this

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moment our success is defined by organic growth and we’re going to continue to focus on the model that has served us well to date.

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

Somebody once encouraged me to, “be yourself and don’t comply to convention.” If there are things that have always been done a certain way and you don’t understand it or you don’t like it, if it doesn’t work for you, construct a challenge. Make sure you understand the why. Why are you asking me to do this? Why are we doing this? I think that’s a very important environment to create and be part of because that’s how innovation is stimulated and not suppressed. It’s more about creating an environment where people can be themselves, where they can ask questions and challenge statements and direction to understand the why and not just operate on the what. That dialogue is hugely important.