Gartner

Leadership Vision for 2023

Top 4 Strategic Priorities for Tech CEOs

From Rishi Sood, GVP, Technology & Service Providers

Your clients are facing uncertainty brought about by persistent inflation; scarce, expensive talent; and global supply constraints caused by the Russian invasion of Ukraine, COVID-19 lockdowns and energy shortages. This triple squeeze is impacting businesses globally and directly impacting technology spending priorities for 2023.

The cost, talent and strategy decisions you make as a leader during such difficult times will determine if your company takes share or loses share in uncertain times. Your teams must be capable of agile pivots.

Despite economic uncertainty and perceived headwinds going into 2023, CFOs indicate their current plans call for continued IT investment, particularly in terms of digital technology. The Gartner IT spending forecast points to continued growth opportunities for tech providers that support digital transformation.

Enterprise technology buying decisions have always been inefficient. That inefficiency is only increasing as those decisions become more democratized and uncertainty hangs over buying teams. Product-led growth motions offer opportunities to reduce friction in the buying cycle. Providers who take share in 2023 will improve the entire customer experience from buying through owning.

Talent is scarce and top talent is hard to attract. Top performers don't stick around when they can see the business is challenged and potentially experiencing layoffs. Once-in-a-lifetime talent can be attracted during economic unrest for companies that have properly prepared to execute a strategy to win in — not weather — the storm.

Startup CEOs who are not prepared for an economic crisis need to take extraordinary measures to keep the company alive when an economic crisis happens. Startup CEOs need to embrace a leadership posture of leading through uncertainty and pivoting to improve financial health, retain top talent and gain access to resources to fuel future growth while competitors falter.

Gartner Leadership Vision provides top-level guidance to leaders and their teams on where to focus — based on our data-driven research. We provide detailed insights to our clients across dozens of roles, and we're now excited to share excerpts with the business community beyond our clients. We hope this will help you to focus discussions with your teams, peers and other leaders, so you can more quickly and effectively diagnose priorities and actions — especially as you solidify your strategic plans for 2023.

Rishi Sood
Gartner Research & Advisory

Growth stalls happen regardless of market headwinds or tailwinds

An analysis of the growth histories of Fortune 100 and Global 100 companies that experienced growth stalls between 1955 and 2006 reveal that after a burst of energy, growth does not descend gradually; it drops like a stone. But what happens after a stall really depends on the actions companies take.

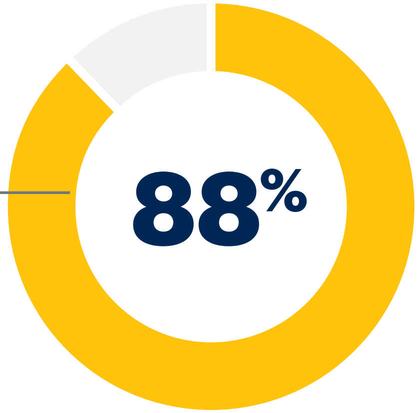
To limit the impact of stalls, focus on factors within your control and guide the organization to the next stage of growth.

1. **Leadership.** Inspire action in your teams through a leadership posture that embraces leading through uncertainty and pivoting to future success.
2. **Financial health.** Improve the preparedness of your business to weather uncertainty by improving the financial health of the business.
3. **Talent-centric.** Protect top talent and critical programs that drive client success and growth.
4. **Strategic viewpoint.** Invest time required to strengthen your corporate strategy as the critical path to making the right pivots faster than competitors.

Controllable Risks

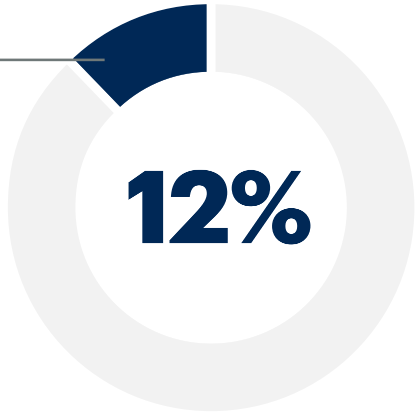
Strategic: Targeting, Growth Bets, Innovation, Expansion

Operational: Talent, Structure, Metrics, Management



Uncontrollable Risks

Economic, Regulatory, Labor, Health, Geopolitical



Four key trends impacting tech CEOs

Uncertainty abounds

Compounding pressures of persistent high inflation, scarce and expensive talent, and global supply chain constraints are affecting businesses globally and directly impacting technology spending priorities for 2023.

Changes in buyer behaviors

Persistent inflation fears and economic uncertainty have directly impacted B2B purchasing, resulting in longer sales cycles, a focus on efficiency rather than growth and more data-driven buying decisions.

Shifts in talent expectations

While tech talent layoffs will increase, overall demand for tech talent will not relent. Though compensation remains the most important consideration, candidates will continue to seek flexibility, shared purpose, well-being and person-first experiences from prospective employers.

Negative outlooks on fundraising

Global slowdown, decrease in tech stock valuations, inflation and geopolitical instability are the primary drivers of a negative outlook on fundraising from both investors and tech CEOs. Constraints in capital impact companies seeking growth, while changing the overall competitive landscape.

Challenges and actions for the tech CEO

1
Avoid misreading uncertainty

Uncertain times and disrupted markets that are experiencing slowdowns in new client adoption can create a false product maturity plateau, prompting inexperienced tech companies to pull a product from market before its true end of life (EOL).

2
Prioritize product-market fit

Determining product-market fit (PMF), or the market demand for a specific product, is the fuel that powers all sustainable growth efforts. Scaling too early can result in cash burn and a loss of effectiveness, while scaling too late results in losing to the competition.

3
Prevent the loss of top talent

In 2022, 71% of tech CEOs said retaining employees is more important than acquiring new employees. But in unstable times, larger technology companies are seen as safe havens, capable of poaching talent critical for innovation.

4
Prepare for recessionary impacts

As unprepared companies get deeper into duress during an economic crisis, the desire of founders or shareholders to exit increases to avoid total collapse. Tech CEOs must prioritize securing financials to ensure their business is prepared for recessionary impacts.

Actions for the tech CEO

1. Identify the differences between the two types of plateaus — true EOL and false EOL — to make positive customer lifetime value product strategy decisions.

2. Establish and execute against company performance milestones aligned with a long-term strategic plan to trigger fundraising efforts and ensure PMF is achieved.

3. Avoid losing talent by offering flexibility, equity, benefits, perks and sabbatical opportunities.

4. Having a strong strategy, the right talent, resources and cash available to invest during an economic crisis will create opportunities that separate you from the competition.

Protect the business through cash flow management

Changes in inflation, combined with recent economic shocks, mandate an immediate reassessment of strategy across four areas: cash management, market exit and entry, talent and accessing capital.

Maintain Positive Cash Flow

- Reduce nonstrategic spend
- Improve collections
- Delay payables
- Negotiate customer price escalators
- Negotiate supplier price lock-ins
- Conduct scenario planning to mitigate financial risks

Adjust Pricing

- Analyze markets with updated financial projections
- Enter new markets and exit underperforming markets
- Exploit competitive advantage
- Use direct and indirect channel strategies

Access to Capital

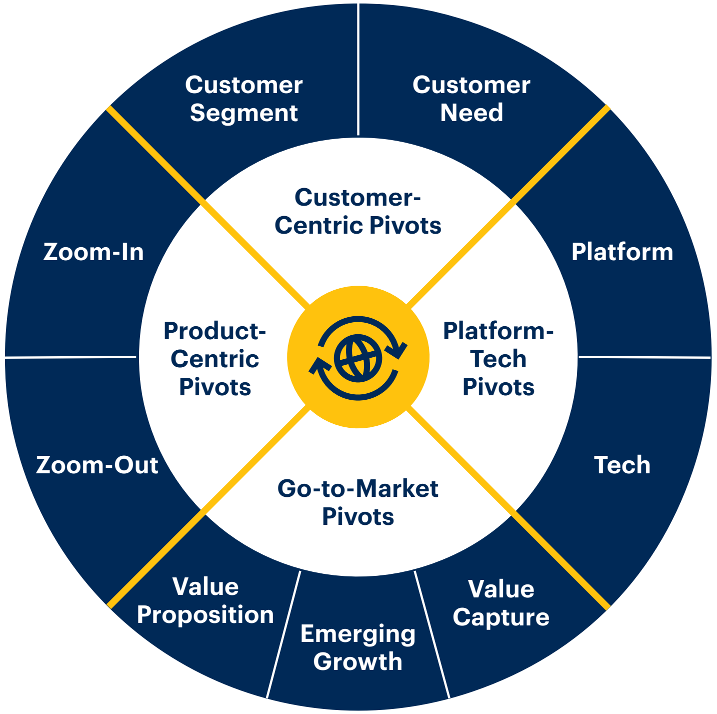
- Pursue vendor financing or receivables factoring
- Government grant or loan
- Venture or bank loan; revolving line of credit
- Convertible note
- Common equity
- Preferred equity

Recommended Next Steps

1. Cut costs thoughtfully:
   - Balance the relief of immediate reductions, while minimizing long-term impact on the company.
   - Although layoffs may be unavoidable, first look to reduce costs in supply chain, office expenses, merit increases, marketing, vendor negotiation and working capital management.
2. Review your product pricing strategy:
   - Price increases are difficult, but price is not the most important factor for buyers.
   - Manage clients' communications with empathy and transparency.
3. Adjust 10 business levers to raise capital:
   - PMF
   - Clients/partners
   - Team
   - Valuation
   - Business model
   - Sales cycle
   - Product
   - Revenue
   - Burn rate
   - Target market

Source: Gartner

Pivot forward through uncertainty



Most startups are used to making pivots — significant business changes that require adjustments to products, technologies, go-to-market fundamentals or other priorities — but during major uncertainties and disruptions, those pivots need to be intentionally planned and proactively executed. Top-performing tech CEOs have clarity on growth opportunities, a focus on employee morale and skills development, and have a clear sense of the big picture.

Recommended Next Steps

1. Pivot often and early:
   - Focus on external environmental factors as drivers of change to make data-driven decisions.
   - Strive to manage change empathetically with employees while adapting continuously, as needed.
2. Execute confidently:
   - Prioritize a leadership posture focused on high performance.
   - Have a clear strategy driven to execution across cross-functional leadership.
   - Encourage engagement and innovation from employees to drive morale.
3. Accelerate the path to PMF with product-led growth (PLG):
   - Achieve PMF with a PLG strategy: a focused, efficient and low-cost method of discovering interested users and markets.

Ensure top talent is retained

Tech CEOs must drive a purpose-oriented culture to sustain high performance and employee morale. Hold on to top talent by offering flexibility in terms of geography, on-site/hybrid/remote work and schedule, while providing benefits, perks and sabbatical opportunities.

Three Dimensions to Improve Employee Value Proposition

What makes us attractive to employees? →	1. Working flexibility
Why do candidates consider us? →	2. Development opportunities
What's difficult to compete with? →	3. Compensation

Recommended Next Steps

1. Ensure the pace, rhythm, duration and intensity of work supports both business and employee success to prevent burnout, stress and attrition.
2. Hire, develop and retain top talent by focusing on:
   - Nontraditional talent and recruitment channels
   - Flexibility on roles, locations and benefits
   - Upskilling, performance reviews and purpose-driven career paths

Invest in revenue growth

To achieve growth, tech CEOs must balance the ambitions and vision of the leadership team and shareholders with market factors, clients' needs and operational constraints. Accelerated growth may mean expanding into a new industry vertical, an adjacent product or service area, a new geography, a new route to market or through an acquisition.

Recommended Next Steps

1. Drive client retention by investing intelligently in sales and marketing expenses:
   - Increase results across the marketing funnel by optimizing activities and gaining efficiencies through highly targeted campaigns and outreach.
   - Use the "rule of thirds" to evaluate performance and impact across your sales team for more realistic forecasts.
2. Assess market expansion opportunities by answering key questions like:
   - Is the market for my offer mature or immature?
   - Am I able to identify relative adjacency to reduce risk?
   - Do I go to market through direct selling and selling through partners?
3. Use internal rate of return and net present value analysis to compare all alternative investment decisions, including market expansion strategies and scenarios.
4. Consider a scalable partner program as a route-to-market expansion to drive deal volume and velocity.
5. Evaluate potential merger and acquisition as buyer or seller:
   - Build a multidimensional, custom due diligence checklist across functions.
   - Engage key stakeholders and establish a dedicated oversight deal team.

Actionable, objective insight

Explore these additional complimentary resources and tools for tech CEOs:

Research
Think Like a High-Growth Tech Company: Learn How the Top CEOs Grow Faster

Overcome growth challenges.

Read Now

Webinar
How Top-Performing Tech CEOs Spot and Overcome Growth Stalls

Navigate pivots like a top-performing tech CEO.

Watch Now

Webinar
The Gartner 2023 Leadership Vision for Tech CEOs

Learn how to lead through uncertainty and pivot to future success.

Watch Now

eBook
Pushing Beyond Enterprise Tech Buyer Regret

Address buying challenges to accelerate tech sales growth.

Read Now

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